



# Income Tax (Trading and Other Income) Act 2005

## 2005 CHAPTER 5

### PART 6

#### EXEMPT INCOME

### CHAPTER 7

#### PURCHASED LIFE ANNUITY PAYMENTS

##### *Partial exemption for purchased life annuity payments*

#### **721 Exempt sum: term dependent solely on duration of life**

- (1) In the case of an annuity within section 719(7) (term dependent solely on duration of life), the exempt sum is —

$$PP \times \frac{1}{TY} \times \frac{PM}{12}$$

where—

PP is the purchase price of the annuity,

TY is the expected term of the annuity in years (and any odd fraction of a year),  
and

PM is the period in months (and any odd fraction of a month) in respect of which  
the annuity payment is made.

- (2) The purchase price of the annuity is the total amount or value of the consideration  
given for the annuity.

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*Status: This is the original version (as it was originally enacted).*

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- (3) The expected term of the annuity is the period from the date when the first annuity payment starts to accrue to the date when it is expected that the last payment will become payable.
- (4) The expected term of the annuity is determined—
  - (a) as at the date when the first annuity payment starts to accrue,
  - (b) by reference to tables of mortality prescribed under section 724, and
  - (c) taking the age at that date of a person during whose life the annuity is payable as that person's age in whole years on that date.
- (5) But if it is not possible to determine that term by reference to the tables mentioned in subsection (4)(b), it is such period as may be certified by the Government Actuary or the Deputy Government Actuary.