

*Status: Point in time view as at 01/07/2008.**Changes to legislation: Finance Act 2007, SCHEDULE 18 is up to date with all changes known to be in force on or before 27 September 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

SCHEDULES

SCHEDULE 18

Section 68

PENSIONS SCHEMES: ABOLITION OF RELIEF FOR LIFE ASSURANCE PREMIUM CONTRIBUTIONS ETC

Introduction

1 Part 4 of FA 2004 (pension schemes etc) is amended as follows.

Life assurance premium contributions not to be relievable pension contributions

2 In section 188(3) (relief for members' contributions: contributions which are not relievable pension contributions), after paragraph (a) insert—

“(aa) any contributions which are life assurance premium contributions (see section 195A),”.

Life assurance premium contributions

3 After section 195 insert—

“195A Life assurance premium contributions

(1) Contributions paid by or on behalf of an individual under a registered pension scheme are life assurance premium contributions for the purposes of section 188(3)(aa) if—

- (a) rights under a non-group life policy (see subsection (2)) are (or later become) held for the purposes of the pension scheme, and
- (b) the contributions are treated by this section as paid in respect of premiums under the non-group life policy (see subsections (3) to (5)).

(2) For the purposes of this section a “non-group life policy” is a policy of insurance under which the only benefits which may become payable are benefits payable in consequence, or in anticipation, of—

- (a) the death of the individual or one of a group of individuals which includes the individual, or
- (b) the deaths of more than one of a group of individuals—
 - (i) which includes the individual, and
 - (ii) the other members of which are connected with the individual.

(3) Contributions paid by or on behalf of the individual under the pension scheme are treated as paid in respect of premiums under the non-group life policy if—

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- (a) the payment of the contributions constitutes the payment of premiums under the policy, or
 - (b) the person by whom the contributions are paid intends the contributions (or an amount equivalent to them) to be applied towards paying premiums under the policy.
- (4) Where the amount of the premiums under the policy in a tax year exceeds the amount of any contributions treated as paid in respect of the premiums by subsection (3), other contributions paid by or on behalf of the individual under the pension scheme in the tax year are treated as paid in respect of premiums under the policy to the extent that their amount does not exceed the difference between the amount of the premiums and the amount of any contributions treated as paid in respect of the premiums by subsection (3).
- (5) But where—
- (a) the benefits under the policy relate to the death of one or more of a group of individuals, and
 - (b) contributions are also paid under the pension scheme in the tax year by or on behalf of another member or other members of the group,
- the amount of the contributions paid by or on behalf of the individual which are treated as paid in respect of premiums under the policy by subsection (4) does not exceed what is just and reasonable having regard to the operation of section 188(3)(aa) in relation to the contributions paid by or on behalf of another member or other members of the group.
- (6) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend subsections (2) to (5).
- (7) Regulations under subsection (6) which limit—
- (a) the policies of insurance which are non-group life assurance policies for the purposes of this section, or
 - (b) the contributions which are treated by this section as paid in respect of premiums under such policies,
- may be made so as to have effect in relation to times before they are made.
- (8) For the purposes of this section an individual (“A”) is connected with another individual (“B”) if—
- (a) A is B's spouse or civil partner,
 - (b) A is a relative of B,
 - (c) A is the spouse or civil partner of a relative of B,
 - (d) A is a relative of B's spouse or civil partner, or
 - (e) A is the spouse or civil partner of a relative of B's spouse or civil partner;
- and for the purposes of this subsection “relative” means brother, sister, ancestor or lineal descendant.”

Commencement: schemes other than occupational pension schemes

- 4 (1) In relation to contributions under any pension scheme that is not an occupational pension scheme, the amendments made by this Schedule have effect in relation to contributions paid on or after 6th April 2007.

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- (2) But they do not have effect in relation to such contributions paid at any time if the contributions are treated as paid in respect of premiums under a policy of insurance which at that time is a protected policy (see paragraph 5).
- 5 (1) This paragraph specifies when a policy of insurance is a protected policy in a case where the rights under it are held for the purposes of a pension scheme that is not an occupational pension scheme.
- (2) A policy of insurance within sub-paragraph (3) or (4) is a protected policy but only until a relevant event occurs (see sub-paragraphs (5) and (6)).
- (3) A policy of insurance is within this sub-paragraph if—
- (a) it is issued in respect of insurances made before 6th December 2006,
 - (b) the pension scheme became a registered pension scheme before that date, and
 - (c) rights under the policy became held for the purposes of the pension scheme before that date.
- (4) A policy of insurance is within this sub-paragraph if—
- (a) it is issued in respect of insurances made before 1st August 2007,
 - (b) the pension scheme became a registered pension scheme before that date,
 - (c) rights under the policy became held for the purposes of the pension scheme before that date,
 - (d) the policy was issued in pursuance of a proposal made in writing (by whatever means) and received by or on behalf of the insurer before the appropriate date,
 - (e) the amount of the benefits payable under the policy (at the latest of the time when the insurances were made, the pension scheme was registered or rights under the policy became held for the purposes of the pension scheme) is no more than the amount applied for in the proposal,
 - (f) the period for which benefits are so payable (at the latest of those times) is no longer than the period specified in the proposal, and
 - (g) the policy is not a protected policy by virtue of sub-paragraph (3).
- (5) In sub-paragraph (4)(d) “the appropriate date” means—
- (a) 13th April 2007, in any case where, on the day of the making of the insurances in respect of which the policy of insurance was issued, the rights of the individual under the pension scheme included an actual or prospective entitlement to a pension, and
 - (b) 14th December 2006, in any other case.
- (6) For the purposes of sub-paragraph (2) a “relevant event” occurs if, after the relevant time, the terms of the policy are varied so as to—
- (a) increase the benefits payable under the policy, or
 - (b) extend the period during which benefits are so payable.
- (7) But where, on the day of the variation, the rights of the individual under the pension scheme included an actual or prospective entitlement to a pension, a relevant event does not occur by virtue of the variation if it was made in pursuance of a proposal made in writing (by whatever means) and received by or on behalf of the insurer before 13th April 2007.
- (8) “The relevant time”—

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- (a) in the case of a policy of insurance within sub-paragraph (3) which is issued in respect of insurances made before 6th April 2006, is 20th March 2007,
- (b) in the case of any other policy of insurance within sub-paragraph (3), is 5th December 2006, and
- (c) in the case of a policy of insurance within sub-paragraph (4), is the time when it became a protected policy.

Commencement: occupational pension schemes

- 6 (1) In relation to contributions under any occupational pension scheme, the amendments made by this Schedule have effect in relation to contributions paid on or after 1st August 2007.
- (2) But they do not have effect in relation to such contributions paid at any time if the contributions are treated as paid in respect of premiums under a policy of insurance which at that time is a protected policy (see paragraph 7).
- 7 (1) This paragraph specifies when a policy of insurance is a protected policy in a case where the rights under it are held for the purposes of an occupational pension scheme.
- (2) A policy of insurance within sub-paragraph (3) or (4) is a protected policy but only until a relevant event occurs (see sub-paragraphs (5) to (7)).
- (3) A policy of insurance is within this sub-paragraph if—
- (a) it is issued in respect of insurances made before 21st March 2007,
 - (b) the pension scheme became a registered pension scheme before that date, and
 - (c) rights under the policy became held for the purposes of the pension scheme before that date.
- (4) A policy of insurance is within this sub-paragraph if—
- (a) it is issued in respect of insurances made before 1st August 2007,
 - (b) the pension scheme became a registered pension scheme before that date,
 - (c) rights under the policy became held for the purposes of the pension scheme before that date,
 - (d) the policy was issued in pursuance of a proposal made in writing (by whatever means) and received by or on behalf of the insurer before 29th March 2007,
 - (e) the amount of the benefits payable under the policy (at the latest of the time when the insurances were made, the pension scheme was registered or rights under the policy became held for the purposes of the pension scheme) is no more than the amount applied for in the proposal,
 - (f) the period for which benefits are so payable (at the latest of those times) is no longer than the period specified in the proposal, and
 - (g) the policy is not a protected policy by virtue of sub-paragraph (3).
- (5) For the purposes of sub-paragraph (2) a “relevant event” occurs if, after the relevant time, the terms of the policy are varied so as to—
- (a) increase the benefits payable under the policy, or
 - (b) extend the period during which benefits are so payable.
- (6) “The relevant time”—

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- (a) in the case of a policy of insurance within sub-paragraph (3), is 20th March 2007, and
 - (b) in the case of a policy of insurance within sub-paragraph (4), is the time when it became a protected policy.
- (7) A variation of the terms of a policy made in order to comply with the Employment Equality (Age) Regulations 2006 (S.I. 2006/1031) or Employment Equality (Age) Regulations (Northern Ireland) 2006 (S.R. 2006/261) (or any regulations amending or replacing them) is to be ignored for the purposes of sub-paragraph (5).

Power to amend commencement provisions

- 8 (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend paragraphs 4 to 7.
- (2) Regulations under sub-paragraph (1) having the effect of limiting the contributions which are life assurance premium contributions may be made so as to have effect in relation to times before they are made.

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