



Finance Act 2012

2012 CHAPTER 14

PART 3

FRIENDLY SOCIETIES CARRYING ON LONG-TERM BUSINESS

Outline of provisions of Part

150 Overview

- (1) This Part makes special provision for corporation tax purposes in relation to long-term and other business carried on by friendly societies.
- (2) Sections 151 and 152 contain provision for applying provisions of the Corporation Tax Acts relating to insurance companies so that they also apply to friendly societies, subject to provision made by regulations.
- (3) Sections 153 to 163 make provision for, and in connection with, a special exemption from corporation tax for BLAGAB or eligible PHI business.
- (4) Sections 164 to 169 make provision for, and in connection with, a further exemption from corporation tax for other business.
- (5) The remainder of the Part contains—
 - (a) provision in relation to certain transfer schemes (see section 170),
 - (b) provision for an exemption from corporation tax for unregistered friendly societies (see section 171), and
 - (c) definitions and other supplementary material (see sections 172 to 179).

Long-term business rules to apply to friendly societies

151 Friendly societies subject to same basic rules as mutual insurers

- (1) The Corporation Tax Acts apply to—
 - (a) life assurance business carried on by friendly societies, and

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- (b) other long-term business carried on by friendly societies,
 in the same way as they apply respectively to mutual life assurance business carried
 on by insurance companies and other long-term business carried on by insurance
 companies.
- (2) Subsection (1) does not apply to business which is exempt BLAGAB or eligible PHI
 business.
- (3) The Treasury may by regulations provide that the Corporation Tax Acts as applied by
 subsection (1) have effect subject to such exceptions or other modifications as may
 be prescribed by the regulations.
- (4) The regulations may require any part of any business to be treated as a separate
 business.
- (5) The regulations may make provision having retrospective effect.
- (6) The regulations may—
 - (a) make different provision for different cases or circumstances, and
 - (b) contain incidental, supplementary, consequential, transitional, transitory or
 saving provision.

152 Friendly societies subject to transfer of business rules

- (1) In this section “the transfer of business rules” means—
 - (a) Chapter 10 of Part 2, and
 - (b) any other provisions of the Corporation Tax Acts that apply on the transfer
 from an insurance company to another insurance company of the whole or
 part of its life assurance business or of its other long-term business.
- (2) The transfer of business rules apply in the same way—
 - (a) on the transfer of the whole or part of the business of a friendly society to
 another friendly society,
 - (b) on the amalgamation of friendly societies,
 - (c) on the transfer of the whole or part of the business of a friendly society to a
 company which is not a friendly society,
 - (d) on the conversion of a friendly society into a company which is not a friendly
 society, and
 - (e) on the transfer of the whole or part of the business of an insurance company
 to a friendly society.
- (3) The Treasury may by regulations provide that the transfer of business rules as applied
 by subsection (2) have effect subject to such exceptions or other modifications as may
 be prescribed by the regulations.
- (4) The regulations may make provision having retrospective effect.
- (5) The regulations may—
 - (a) make different provision for different cases or circumstances, and
 - (b) contain incidental, supplementary, consequential, transitional, transitory or
 saving provision.

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Exempt BLAGAB or eligible PHI business

153 Exemption for certain BLAGAB or eligible PHI business

- (1) A friendly society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits arising from exempt BLAGAB or eligible PHI business.
- (2) The exemption applies only if the society makes a claim.
- (3) For the meaning of “BLAGAB or eligible PHI business”, see section 154.
- (4) For the meaning of “exempt” BLAGAB or eligible PHI business, see section 155.

154 Meaning of “BLAGAB or eligible PHI business”

- (1) In this Part “BLAGAB or eligible PHI business” means—
 - (a) basic life assurance and general annuity business, and
 - (b) any PHI business so far as consisting of the effecting or carrying out of qualifying contracts,but see subsections (3) and (4) for some qualifications.
- (2) A contract is a “qualifying” contract if—
 - (a) it is made before 1 September 1996, or
 - (b) it is made on or after that date and it also falls within paragraph I, II or III of Part 2 of Schedule 1 to the FISMA (Regulated Activities) Order 2001.
- (3) A contract made before 1 September 1996 which effects a policy affording provision for injury, sickness or other infirmity is to be regarded for the purposes of this Part as forming part of “BLAGAB or eligible PHI business” only if—
 - (a) the policy also affords assurance for a gross sum independent of injury, sickness or other infirmity,
 - (b) at least 60% of the total premiums are attributable to the provision afforded during injury, sickness or other infirmity, and
 - (c) there is no bonus or addition which may be declared or accrue upon the assurance of the gross sum.
- (4) Business is not to be regarded as “BLAGAB or eligible PHI business” of a friendly society for the purposes of this Part so far as it consists of the assurance of any annuity the consideration for which consists of sums obtainable—
 - (a) on the maturity, or
 - (b) on the surrender,of any other policy of assurance issued by the society which forms part of its exempt BLAGAB or eligible PHI business.

155 Meaning of “exempt” BLAGAB or eligible PHI business

- (1) In this Part “exempt” BLAGAB or eligible PHI business means BLAGAB or eligible PHI business other than non-qualifying business.
- (2) Business is “non-qualifying” so far as it consists of—

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- (a) the assurance of gross sums, or the granting of annuities, which meet the conditions set out in the following table (which vary according to the date on which the contracts in question were made), or
- (b) the effecting or carrying out of contracts for the assurance of gross sums which are made on or after 20 March 1991 and which are expressed at the outset not to be made in the course of exempt BLAGAB or eligible PHI business.

(3) This is the table mentioned above—

<i>Contracts to which assurance or annuities relate</i>	<i>Applicable limit for premiums or gross sums</i>	<i>Applicable limit for annuities</i>
Contracts made on or after 1 May 1995	Assurance of gross sums under contracts which the total premiums payable in any period of 12 months exceed £270	Granting of annuities under of annual amounts exceeding £156
Contracts made on or after 25 July 1991 but before 1 May 1995	Assurance of gross sums under contracts which the total premiums payable in any period of 12 months exceed £200	Granting of annuities under of annual amounts exceeding £156
Contracts made on or after 1 September 1990 but before 25 July 1991	Assurance of gross sums under contracts which the total premiums payable in any period of 12 months exceed £150	Granting of annuities under of annual amounts exceeding £156
Contracts made on or after 1 September 1987 but before 1 September 1990	Assurance of gross sums under contracts which the total premiums payable in any period of 12 months exceed £100	Granting of annuities under of annual amounts exceeding £156
Contracts made on or after 14 March 1984 but before 1 September 1987	Assurance of gross sums exceeding £750	Granting of annuities of annual amounts exceeding £156
Contracts made before 14 March 1984	Assurance of gross sums exceeding £500	Granting of annuities of annual amounts exceeding £104

- (4) In applying the limits in the above table in relation to the total premiums payable in any period of 12 months (in the case of contracts made on or after 1 September 1987)—
 - (a) if the premiums are payable more frequently than annually, ignore an amount equal to 10% of the premiums, and
 - (b) ignore so much of any premium as is charged on the ground that an exceptional risk of death or disability is involved.
- (5) In applying the limits in the above table in the case of contracts made on or after 1 September 1987, ignore any bonus or addition declared upon an annuity.

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- (6) In applying the limits in the above table in the case of contracts made before 1 September 1987, ignore any bonus or addition which—
 - (a) is declared upon the assurance of a gross sum or annuity, or
 - (b) accrues upon the assurance of a gross sum or annuity by reference to an increase in the value of any investments.
- (7) In the case of a contract for the assurance of a gross sum under exempt BLAGAB or eligible PHI business made on or after 1 September 1987 but before 1 May 1995, there is a special rule if the amount payable by way of premium under the contract is increased as a result of a variation made—
 - (a) in the period beginning with 25 July 1991 and ending with 31 July 1992, or
 - (b) in the period beginning with 1 May 1995 and ending with 31 March 1996.
- (8) The rule is that, in relation to any profits relating to the contract as varied, the contract is to be treated for the purposes of the above table as made at the time of the variation.

156 Societies with no provision for assuring gross sums exceeding £2,000 etc

- (1) This section applies to a friendly society if its rules make no provision for it to carry on BLAGAB or eligible PHI business, or other long-term business, consisting of—
 - (a) the assurance of gross sums exceeding £2,000, or
 - (b) the granting of annuities of annual amounts exceeding £416.
- (2) The table in section 155 applies in relation to a friendly society to which this section applies as if, in the final row of that table—
 - (a) the reference to £500 were a reference to £2,000, and
 - (b) the reference to £104 were a reference to £416.
- (3) If at any time a friendly society to which this section applies amends its rules so as to cease to be such a friendly society, any part of its BLAGAB or eligible PHI business which—
 - (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business,continues to be exempt BLAGAB or eligible PHI business for the purposes of this Part.
- (4) If at any time a friendly society to which this section does not apply amends its rules so as to become a friendly society to which this section applies, any part of its BLAGAB or eligible PHI business which—
 - (a) relates to contracts made before that time, and
 - (b) immediately before that time was not exempt BLAGAB or eligible PHI business,continues not to be exempt BLAGAB or eligible PHI business for the purposes of this Part.
- (5) If at any time a friendly society to which this section does not apply acquires by way of transfer of engagements or amalgamation from another friendly society any BLAGAB or eligible PHI business which—
 - (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business,that business continues to be exempt BLAGAB or eligible PHI business for the purposes of this Part.

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- (6) If at any time a friendly society to which this section applies acquires by way of transfer of engagements or amalgamation from another friendly society any BLAGAB or eligible PHI business which—
- (a) relates to contracts made before that time, and
 - (b) immediately before that time was not exempt BLAGAB or eligible PHI business,
- that business continues not to be exempt BLAGAB or eligible PHI business for the purposes of this Part.

157 Transfers to friendly societies

- (1) If at any time an insurance business transfer scheme transfers any long-term business to a friendly society, any BLAGAB or eligible PHI business which relates to contracts included in the transfer is subsequently not to be capable of being exempt BLAGAB or eligible PHI business for the purposes of this Part.
- (2) This rule does not apply in relation to business relating to contracts to which section 158 applied immediately before the transfer had effect.

158 Transfers from friendly societies to insurance companies etc

- (1) If at any time an insurance company acquires by way of transfer of engagements from a friendly society any BLAGAB or eligible PHI business which—
 - (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business,
 that business continues to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.
- (2) If at any time a friendly society ceases as a result of section 91 of FSA 1992 (conversion into company) to be registered under that Act, any part of its BLAGAB or eligible PHI business which—
 - (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business,
 continues to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.
- (3) If contracts constituting or forming part of the business of a company covered by this section are varied during an accounting period of the company so as to increase the premiums payable under them, the business relating to those contracts is not exempt from corporation tax for that or any subsequent accounting period.
- (4) For the purposes of the Corporation Tax Acts any part of a company's business which is exempt from corporation tax as a result of this section is to be treated as a separate business from any other business carried on by the company.
- (5) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax as a result of this section, the Corporation Tax Acts have effect subject to such exceptions or other modifications as they consider appropriate.
- (6) The regulations may make provision having retrospective effect.

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- (7) The regulations may—
- (a) make different provision for different cases or circumstances, and
 - (b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

159 Exception in case of breach of maximum benefits payable to members

- (1) The exemption from corporation tax afforded by section 153, 156(3) or (5) or 158 does not apply in relation to so much of the profits arising to a friendly society or insurance company from any business as is attributable to a policy which—
- (a) is not a qualifying policy as a result of sub-paragraph (2) of paragraph 6 of Schedule 15 to ICTA and is not an excluded policy, and
 - (b) would not be a qualifying policy as a result of that sub-paragraph if all excluded policies were ignored.
- (2) A policy is an excluded policy if—
- (a) it is held otherwise than with the friendly society or insurance company, or
 - (b) the person who has the contract effecting the policy acquired the rights under it on an assignment otherwise than for money or money's worth.
- (3) This section does not withdraw the exemption from corporation tax afforded by section 153, 156(3) or (5) or 158 in relation to profits arising from any part of a business relating to contracts made on or before 3 May 1966.

Exempt BLAGAB or eligible PHI business: benefits payable by friendly societies etc

160 Maximum benefits payable to members

- (1) This section imposes restrictions on the entitlement of a person to have at any time outstanding contracts with any one or more friendly societies, registered branches or insurance companies (“relevant persons”) which are—
- (a) for the assurance of gross sums under business which is afforded exemption from corporation tax under section 153, 156(3) or (5) or 158 (see subsections (2) and (3)), or
 - (b) for the assurance by way of annuity under business which is afforded exemption from corporation tax under any of those provisions (see subsection (4)).
- (2) In the case of contracts for the assurance of gross sums made before 1 September 1987, a person is not entitled to have outstanding at any time with relevant persons contracts which, taking them all together, are for the assurance of more than £750 (but see subsection (9)).
- (3) In the case of contracts for the assurance of gross sums at least one of which was made on or after that date, a person is not entitled to have outstanding at any time with relevant persons—
- (a) contracts under which the total premiums payable in any period of 12 months exceed £270,
 - (b) contracts made before 1 May 1995 under which the total premiums payable in any period of 12 months exceed £200,

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- (c) contracts made before 25 July 1991 under which the total premiums payable in any period of 12 months exceed £150, or
 - (d) contracts made before 1 September 1990 under which the total premiums payable in any period of 12 months exceed £100.
- (4) In the case of contracts for the assurance by way of annuity, a person is not entitled to have at any time outstanding with relevant persons contracts which, taking them all together, are for the assurance of more than £156 (but see subsection (9)).
- (5) In applying the limits in this section in relation to the total premiums payable in any period of 12 months—
- (a) if the premiums are payable more frequently than annually, ignore an amount equal to 10% of the premiums, and
 - (b) ignore so much of any premium as is charged on the ground that an exceptional risk of death or disability is involved.
- (6) In applying the limits in this section, ignore —
- (a) any bonus or addition which is declared upon an assurance of a gross sum or annuity or which accrues upon an assurance of a gross sum or annuity by reference to an increase in the value of any investments,
 - (b) any policy of insurance or annuity contract by means of which the benefits to be provided under an occupational pension scheme (within the meaning of section 150(5) of FA 2004) are secured,
 - (c) any annuity contract which constitutes, or is issued or held in connection with, a registered pension scheme other than one within paragraph (b), and
 - (d) any increase in a benefit under a friendly society contract (within the meaning given by section 6 of the Decimal Currency Act 1969) resulting from the adoption of a scheme prescribed or approved under subsection (3) of that section.
- (7) In the case of a contract for the assurance of a gross sum made on or after 1 September 1987 but before 1 May 1995, there is a special rule if the amount payable by way of premium under the contract is increased as a result of a variation made—
- (a) in the period beginning with 25 July 1991 and ending with 31 July 1992, or
 - (b) in the period beginning with 1 May 1995 and ending with 31 March 1996.
- (8) The rule is that, in relation to times when the contract has effect as varied, the contract is to be treated for the purposes of this section as made at the time of variation.
- (9) If a person's outstanding contracts with relevant persons were contracts which were all made before 14 March 1984—
- (a) subsection (2) has effect as if the reference to £750 were a reference to £2,000, and
 - (b) subsection (4) has effect as if the reference to £156 were a reference to £416.

161 Section 160: supplementary

- (1) This section makes further provision for the purposes of section 160 the application of which depends on whether or not a friendly society is an old society.
- (2) For the purposes of this Part an “old society” means—
- (a) a registered friendly society which was registered before 4 February 1966,

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- (b) a registered friendly society which was registered in the period beginning with that date and ending with 3 May 1966 and which on or before 3 May 1966 carried on any life or endowment business (within the meaning of section 29 of FA 1966), or
 - (c) an incorporated friendly society which, before its incorporation, was a registered friendly society within paragraph (a) or (b).
- (3) In applying the limits in section 160(3) in relation to the total premiums payable in any period of 12 months, ignore £10 of the premiums payable under any contract made before 1 September 1987 by an old society.
- (4) In applying the limits in section 160(3), the premiums under any contract for an annuity which was made before 1 June 1984 by a friendly society other than an old society are to be dealt with as if the contract were for the assurance of a gross sum.
- (5) In applying the limits in section 160 in any case where a person has outstanding with relevant persons one or more contracts made after 13 March 1984 and one or more contracts made on or before that date, any contract for an annuity which was made before 1 June 1984 by a friendly society other than an old society is to be regarded—
- (a) as a contract for the annual amount concerned, and
 - (b) as a contract for the assurance of a gross sum equal to 75% of the total premiums which would be payable under the contract if it were to run for its full term or, as the case may be, if the member concerned were to die at the age of 75.

162 Section 160: statutory declarations

A friendly society, registered branch or insurance company may require a person to make and sign a statutory declaration—

- (a) that the total amount assured under outstanding contracts entered into by that person with any one or more friendly societies, registered branches or insurance companies (taken together) does not exceed the limits set out in section 160, and
- (b) that the total premiums under those contracts do not exceed those limits.

Exempt BLAGAB or eligible PHI business: directions to old societies

163 Directions given to old societies

- (1) HMRC Commissioners may give a direction under this section to an old society.
- (2) The Commissioners may give the direction if—
- (a) the society begins to carry on exempt BLAGAB or eligible PHI business or, in their opinion, begins to carry on exempt BLAGAB or eligible PHI business on an enlarged scale or of a new character, and
 - (b) it appears to them, having regard to the restrictions placed on qualifying policies issued by friendly societies other than old societies by paragraphs 3(1)(b) and 4(3)(b) of Schedule 15 to ICTA, that for the protection of the revenue it is expedient to give the direction.

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- (3) The direction is that (and has the effect that) the society is to be treated for the purposes of this Part and Schedule 15 to ICTA as a friendly society other than an old society with respect to business carried on after the date of the direction.
- (4) The society may appeal against the direction on the ground that—
 - (a) it has not begun to carry on business as mentioned in subsection (2)(a), or
 - (b) the direction is not necessary for the protection of the revenue.
- (5) The appeal must be made within 30 days of the date on which the direction is given.
- (6) If a registered friendly society in respect of which a direction is in force under this section becomes an incorporated friendly society, the direction continues to have effect, so that for the purposes of this Part and Schedule 15 to ICTA it is treated as a friendly society other than an old society.

Exemption for other business

164 Societies registered before 1 June 1973, etc

- (1) A registered friendly society which is a qualifying society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits other than those arising from—
 - (a) life assurance business, or
 - (b) PHI business comprised in BLAGAB or eligible PHI business.
- (2) A registered friendly society is a qualifying society if—
 - (a) it was registered before 1 June 1973 (but see section 168 for circumstances in which it ceases to be a qualifying society),
 - (b) it is registered on or after that date and its business is limited to the provision, in accordance with its rules, of benefits for or in respect of employees of a particular employer or such other group of persons as is for the time being approved for the purposes of this section by HMRC Commissioners, or
 - (c) it is registered on or after that date but before 27 March 1974 and its rules limit the total amount which may be paid by a member by way of contributions and deposits to not more than £1 per month or such greater amount as HMRC Commissioners may authorise for the purposes of this section.
- (3) For the purposes of this section a registered friendly society formed on the amalgamation of two or more friendly societies is treated as registered before 1 June 1973 if, at the time of amalgamation, each of the societies amalgamated was a qualifying society (but otherwise is treated as registered at that time).
- (4) The exemption applies only if the society makes a claim.

165 Incorporated friendly societies

- (1) An incorporated friendly society which is a qualifying society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits other than those arising from—
 - (a) life assurance business, or
 - (b) PHI business comprised in BLAGAB or eligible PHI business.

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- (2) An incorporated friendly society is a qualifying society if it falls within any of cases A to C (but see section 168 for circumstances in which it ceases to be a qualifying society).
- (3) Case A is that, immediately before its incorporation, it was a registered friendly society which was a qualifying society within the meaning of section 164.
- (4) Case B is that—
 - (a) it was formed otherwise than by the incorporation of a registered friendly society or the amalgamation of two or more friendly societies, and
 - (b) its business is limited to the provision, in accordance with its rules, of benefits for or in respect of employees of a particular employer or such other group of persons as is for the time being approved for the purposes of this section by HMRC Commissioners.
- (5) Case C is that—
 - (a) it was formed by the amalgamation of two or more friendly societies, and
 - (b) at the time of the amalgamation each of the societies being amalgamated was a qualifying society within the meaning of section 164 or this section.
- (6) The exemption applies only if the society makes a claim.
- (7) The exemption does not apply to any profits arising or accruing to the society from, or by reason of its interest in, a body corporate—
 - (a) which is a subsidiary of the society (within the meaning of FSA 1992), or
 - (b) of which the society has joint control (within the meaning of FSA 1992).

166 Transfers from friendly societies to insurance companies etc

- (1) For the purposes of this Part “relevant other business” means any business other than—
 - (a) life assurance business, or
 - (b) PHI business comprised in BLAGAB or eligible PHI business.
- (2) If—
 - (a) at any time an insurance company acquires by way of transfer of engagements from a friendly society any relevant other business, and
 - (b) immediately before that time the society was exempt from corporation tax on profits arising from that business as a result of section 164 or 165,the insurance company is exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.
- (3) If a friendly society—
 - (a) at any time ceases as a result of section 91 of FSA 1992 (conversion into company) to be registered under that Act, and
 - (b) immediately before that time the society was, as a result of section 164 or 165, exempt from corporation tax on profits arising from any relevant other business carried on by it,the company into which the society is converted is exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.

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- (4) If during an accounting period of a company there is an increase in the scale of benefits which it undertakes to provide in the course of carrying on relevant other business relating to contracts made before the time of transfer or conversion, the company is not exempt from corporation tax as a result of this section for that or any subsequent accounting period.
- (5) For the purposes of the Corporation Tax Acts any part of a company's business which is exempt from corporation tax as a result of this section is to be treated as a separate business from any other business carried on by the company.
- (6) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax as a result of this section, the Corporation Tax Acts have effect subject to such exceptions or other modifications as they consider appropriate.
- (7) The regulations may make provision having retrospective effect.
- (8) The regulations may—
 - (a) make different provision for different cases or circumstances, and
 - (b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

167 Transfers between friendly societies

- (1) If—
 - (a) at any time a friendly society acquires by way of transfer of engagements or amalgamation from another friendly society any relevant other business, and
 - (b) immediately before that time the transferor was exempt from corporation tax on profits arising from that business as a result of section 164 or 165,
 the transferee is exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.
- (2) If during an accounting period of the transferee there is an increase in the scale of benefits which it undertakes to provide in the course of carrying on relevant other business relating to contracts made before that time, the transferee is not exempt from corporation tax as a result of this section for that or any subsequent accounting period.
- (3) If—
 - (a) at any time a friendly society acquires by way of transfer of engagements or amalgamation from another friendly society any relevant other business, and
 - (b) immediately before that time the transferor was not exempt from corporation tax on profits arising from that business as a result of section 164 or 165,
 the transferee is not exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.
- (4) The Treasury may by regulations provide that, where any part of the business of a friendly society is, or is not, exempt from corporation tax as a result of this section, the Corporation Tax Acts have effect subject to such exceptions or other modifications as they consider appropriate.
- (5) The regulations may make provision having retrospective effect.
- (6) The regulations may—

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- (a) make different provision for different cases or circumstances, and
 - (b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.
- (7) Nothing in this section applies in relation to transfers or amalgamations taking place before 21 July 2008.

168 Withdrawal of qualifying status

- (1) HMRC Commissioners may give a direction under this section to—
- (a) a registered friendly society which is a qualifying society for the purposes of section 164 as a result of its registration before 1 June 1973, or
 - (b) an incorporated friendly society which is a qualifying society for the purposes of section 165 as a result of falling within case A or C and whose business and rules are not of a kind mentioned in section 164(2)(b) or (c).
- (2) The Commissioners may give the direction if—
- (a) the society begins to carry on relevant other business or, in their opinion, begins to carry on relevant other business on an enlarged scale or of a new character, and
 - (b) it appears to them, having regard to the restrictions imposed by section 164 on registered friendly societies registered on or after 1 June 1973, that for the protection of the revenue it is expedient to give the direction.
- (3) The direction is that (and has the effect that) the society ceases to be a qualifying society as from the date of the direction.
- (4) The society may appeal against the direction on the ground that—
- (a) it has not begun to carry on business as mentioned in subsection (2)(a), or
 - (b) the direction is not necessary for the protection of the revenue.
- (5) The appeal must be made within 30 days of the date on which the direction is given.

169 Payments by non-qualifying societies treated as qualifying distributions

- (1) This section applies if—
- (a) a friendly society which is not a qualifying society makes a payment to a member in respect of the member's interest in the society,
 - (b) the payment is made in the course of relevant other business, and
 - (c) the payment exceeds the total amount of any sums paid by the member to the society by way of contributions or deposits after deducting from that total any relevant previous payment and any relevant earlier repayment.
- (2) The excess is treated for the purposes of corporation tax and income tax as a qualifying distribution.
- (3) In this section—
- (a) the reference to a relevant previous payment is to the amount of any previous payment made by the society to the member in respect of the member's interest in the society, and
 - (b) the reference to a relevant earlier repayment is to the amount of any earlier repayment of sums paid by the member to the society by way of contributions or deposits.

Status: Point in time view as at 06/04/2014.

*Changes to legislation: There are currently no known outstanding effects
 for the Finance Act 2012, PART 3. (See end of Document for details)*

- (4) In the case of an incorporated friendly society which, immediately before its incorporation, was a registered friendly society which was not a qualifying society—
- (a) references in this section to payments (or repayments) to or from the society include payments (or repayments) to or from the registered friendly society, but
 - (b) subsection (3)(a) does not apply to a payment made before 27 March 1974 or, if the registered friendly society was previously a qualifying society but ceased to be one as a result of a direction given to it under section 168(1)(a), a payment made on or before such later date as was specified in the direction.
- (5) In the case of any other incorporated friendly society which was previously a qualifying society but ceased to be one as a result of a direction given to it under section 168(1)(b), subsection (3)(a) does not apply to a payment made on or before the date specified in the direction.
- (6) In the case of a registered friendly society, subsection (3)(a) does not apply to—
- (a) a payment made before 27 March 1974, or
 - (b) if the society was previously a qualifying society but ceased to be one as a result of a direction given to it under section 168(1)(a), a payment made on or before such later date as was specified in the direction.
- (7) For the purposes of this section—
- (a) a registered friendly society is not a qualifying society at any time if, at that time, it is not a qualifying society within the meaning of section 164, and
 - (b) an incorporated friendly society is not a qualifying society at any time if, at that time, it is not a qualifying society within the meaning of section 165.

Miscellaneous

170 Transfer schemes under s.6(5) of FSA 1992

- (1) This section applies if assets of a branch of a registered friendly society have been identified in a scheme under section 6(5) of FSA 1992 (property, rights etc excluded from transfer to the society on its incorporation).
- (2) In relation to any time after the incorporation of the society, the assets are to be treated for the purposes of the Tax Acts as assets of the society (and, accordingly, any corporation tax or income tax liability arising in respect of them is a liability of the society rather than of the branch).
- (3) If, as a result of this section, corporation tax or income tax in respect of any of the assets becomes chargeable on and is paid by the society, the society may recover from the trustees in whom those assets are vested the amount of the tax paid.

171 Exemption for unregistered friendly societies

- (1) A friendly society which is neither a registered friendly society nor an incorporated friendly society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits if its income does not exceed £160 a year.
- (2) The exemption applies only if the society makes a claim.

Status: Point in time view as at 06/04/2014.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2012, PART 3. (See end of Document for details)

Interpretation

172 Minor definitions

- (1) In this Part—
- “friendly society”, without qualification, means (except in section 171) a registered friendly society or an incorporated friendly society,
 - “incorporated friendly society” means a society incorporated under FSA 1992,
 - “policy”, in relation to BLAGAB or eligible PHI business, includes an instrument evidencing a contract to pay an annuity upon human life,
 - “registered branch” has the same meaning as in FSA 1992 (and includes any branch that as a result of section 96(3) of FSA 1992 is treated as a registered branch), and
 - “registered friendly society” has the same meaning as in FSA 1992 (and includes any society that as a result of section 96(2) of FSA 1992 is treated as a registered friendly society).
- (2) Any other expression which is used in this Part and in Part 2 has the same meaning in this Part as in that Part.
- (3) References in this Part to a friendly society include, in the case of a registered friendly society, references to any branch of that society.
- (4) It is declared that for the purposes of this Part (except where provision to the contrary is made) a friendly society formed on the amalgamation of two or more friendly societies is treated as different from the amalgamated societies.
- (5) A registered friendly society formed on the amalgamation of two or more friendly societies is treated for the purposes of this Part as registered not later than 3 May 1966 if at the time of the amalgamation—
- (a) all the societies amalgamated were registered friendly societies eligible for the exemption conferred by section 153, and
 - (b) at least one of them was an old society,
- or, if the amalgamation took place before 19 March 1985, the society was treated as registered not later than 3 May 1966 as a result of the proviso to section 337(4) of the Income and Corporation Taxes Act 1970.
- (6) An incorporated friendly society formed on the amalgamation of two or more friendly societies is treated for the purposes of this Part as a society which, before its incorporation, was a registered friendly society registered not later than 3 May 1966 if at the time of the amalgamation—
- (a) all the societies amalgamated were registered friendly societies eligible for the exemption conferred by section 153, and
 - (b) at least one of them was an old society.

Modifications etc. (not altering text)

- C1** S. 172 modified (31.12.2012) by [The Friendly Societies \(Modifications of the Tax Acts\) Regulations 2012 \(S.I. 2012/3008\)](#), regs. 1(1), **14** (with regs. 1(2), 2)

Status: Point in time view as at 06/04/2014.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2012, PART 3. (See end of Document for details)

173 Abbreviations

(1) In this Part—

“FSA 1992” means the Friendly Societies Act 1992, and

“FISMA (Regulated Activities) Order 2001” means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

(2) For abbreviations of other Acts, see section 228.

174 Index of defined terms

In this Part the following expressions are defined or otherwise explained by the provisions indicated—

<i>Expression</i>	<i>Where explained</i>
basic life assurance and general annuity business (abbreviated to “BLAGAB”)	sections 57, 67(5) and 172(2)
BLAGAB or eligible PHI business	section 154
contract of insurance	sections 64 and 172(2)
exempt BLAGAB or eligible PHI business	section 155
friendly society	section 172(1)
HMRC Commissioners	sections 139(1) and 172(2)
incorporated friendly society	section 172(1)
insurance business transfer scheme	sections 139(1) and 172(2)
insurance company	sections 65 and 172(2)
life assurance business	sections 56 and 172(2)
long-term business	sections 63(1) and 172(2)
old society	section 161(2)
PHI business	sections 63(2) and 172(2)
policy	section 172(1)
registered	section 172(5) and (6)
registered branch	section 172(1)
registered friendly society	section 172(1) and (3)
relevant other business	section 166
re-insurance	sections 139(1) and 172(2)

Modifications etc. (not altering text)

C2 S. 174 modified (31.12.2012) by [The Friendly Societies \(Modifications of the Tax Acts\) Regulations 2012 \(S.I. 2012/3008\)](#), regs. 1(1), **15** (with regs. 1(2), 2)

Status: Point in time view as at 06/04/2014.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2012, PART 3. (See end of Document for details)

Regulations

175 Regulations

- (1) Any power of the Treasury to make any regulations under this Part is exercisable by statutory instrument.
- (2) Any statutory instrument containing any regulations made by the Treasury under this Part is subject to annulment in pursuance of a resolution of the House of Commons.
- (3) Nothing in this Part that authorises the inclusion of any particular kind of provision in any regulations under this Part is to be read as restricting the generality of the provision that may be included in the regulations.

Consequential amendments and transitional provision

176 Consequential amendments

Schedule 18 contains consequential amendments.

177 Transitional provision

Schedule 19 contains transitional provision in connection with the coming into force of this Part.

Commencement etc

178 Commencement

The provisions of this Part (other than section 179) have effect in relation to accounting periods of companies beginning on or after 1 January 2013.

179 Accounting periods straddling 1 January 2013

- (1) If, apart from this section, a friendly society would have had an accounting period beginning before 1 January 2013 and ending on or after that date, the accounting period of the society is to end instead on 31 December 2012.
- (2) Accordingly, the rules in section 10 of CTA 2009 (end of accounting period) are subject to this section.

Status:

Point in time view as at 06/04/2014.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2012, PART 3.