

Status: Point in time view as at 01/09/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 2. (See end of Document for details)

SCHEDULES

SCHEDULE 9

QUALIFYING INSURANCE POLICIES

PART 2

RESTRICTED RELIEF QUALIFYING POLICIES

- 7 Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc) is amended as follows.
- 8 After section 463 insert—

“463A Restricted relief qualifying policies: disapplication of section 485 etc

- (1) This section applies for the purpose of determining if an individual is liable for tax charged under this Chapter.
- (2) In relation to an event occurring on or after 6 April 2013, section 485 (disregard of certain events in relation to qualifying policies) does not apply in relation to a policy (“policy X”) which is a restricted relief qualifying policy (see paragraph A2 of Schedule 15 to ICTA).
- (3) If an individual is liable for tax charged under this Chapter as a result of subsection (2), the gain on which the tax is charged in the case of the individual is reduced by the following amount—

$$G \times \frac{TAP}{TP}$$

where—

G is the amount of the gain (apart from this subsection),

TAP is the total amount of premiums payable under policy X during the policy X period so far as they are allowable premiums as determined in accordance with section 463B, and

TP is the total amount of premiums payable under policy X during the policy X period.

- (4) If section 528 also applies in the case of the individual in relation to the gain, subsection (3) is to be applied to the gain before section 528 and, accordingly, the reduction to be made under section 528 is to be determined by reference to the gain as reduced by subsection (3).

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- (5) The following subsections apply for the purposes of this section (except subsection (2)) and section 463B.
- (6) “The policy X period” means the period for which policy X has run before the chargeable event occurs.
- (7) Subsections (8) and (9) apply if policy X is a new policy in relation to another policy.
- (8) For the purposes of subsection (6) policy X is to be taken to have run—
- (a) from the issue of the other policy, or
 - (b) if the other policy was also a new policy in relation to an earlier policy, from the issue of the earlier policy,
- and so on.
- (9) References to premiums payable under policy X are to be read as including references to premiums payable under any earlier policy taken into account under subsection (8).
- (10) The following are to be left out of account in determining the premiums payable under a policy—
- (a) so much of a premium as is charged on the grounds that an exceptional risk of death or disability is involved;
 - (b) subject to subsection (11), so much of the first premium payable the liability for the payment of which—
 - (i) is discharged in accordance with paragraph 15(2) of Schedule 15 to ICTA, or
 - (ii) in the case of a policy in relation to which paragraph 3 of that Schedule applies, is discharged under a provision of the policy falling within paragraph 3(4)(c) of that Schedule.
- (11) The maximum amount that may be left out of account under subsection (10)
- (b) in the case of a policy is—

$$£3,600 \times N$$

where N is the number of complete years for which ran—

- a the other policy involved, or
 - b if there is more than one other policy involved, the policy which ran for the most number of complete years.
- (12) In determining the premiums payable under a policy any provision for the waiver of premiums by reason of a person's disability is to be ignored.
- (13) “New policy” has the meaning given in paragraph 17 of Schedule 15 to ICTA.

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463B Restricted relief qualifying policies: allowable premiums

- (1) This section sets out how to determine the extent to which premiums payable under policy X during the policy X period are allowable premiums for the purposes of section 463A(3).
- (2) A premium payable under policy X is allowable if it is payable before the restricted relief date.
- (3) In this section “the restricted relief date” means—
 - (a) 6 April 2013, or
 - (b) if later, the date on which policy X became a restricted relief qualifying policy.
- (4) Premiums payable under policy X in a relevant premium period are allowable so far as they do not exceed in total the premium limit for the period.
- (5) In subsection (4) “relevant premium period” means—
 - (a) any period of one year which—
 - (i) begins with a relevant date, and
 - (ii) ends in the policy X period, and
 - (b) if it is not covered by paragraph (a), the period which—
 - (i) begins with the last relevant date to fall within the policy X period, and
 - (ii) ends at the end of the policy X period.
- (6) In subsection (5) “relevant date” means—
 - (a) the restricted relief date, or
 - (b) any anniversary of the restricted relief date.
- (7) For the purposes of subsection (4) “the premium limit” for a relevant premium period is determined in accordance with subsections (8) to (10).
- (8) Determine the premiums payable in the relevant premium period under policies related to policy X.
- (9) If the total of those premiums is £3,600 or more, the premium limit is nil (and, accordingly, no premiums payable under policy X in the relevant premium period are allowable).
- (10) If the total of those premiums is less than £3,600, the premium limit is the difference between that total and £3,600.
- (11) Subsection (4) does not apply if, at the time policy X became a restricted relief qualifying policy, any policy related to policy X was itself a restricted relief qualifying policy.
- (12) For the purposes of this section a policy is “related” to policy X if it met the following requirements at the time policy X became a restricted relief qualifying policy—
 - (a) the policy is a qualifying policy under which the individual is a beneficiary (as determined in accordance with paragraph A5 of Schedule 15 to ICTA);

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- (b) the policy is neither a protected policy nor a pure protection policy.
- (13) In subsection (12)(b)—
- “protected policy” is to be read in accordance with paragraph A4 of Schedule 15 to ICTA, and
- “pure protection policy” has the meaning given by paragraph A6(1)(c) of that Schedule.
- (14) A policy which is a new policy in relation to a policy “related” to policy X (whether by virtue of subsection (12) or this subsection) is also “related” to policy X if it meets the requirements of subsection (12)(a) and (b) when issued.
- (15) A policy ceases to be “related” to policy X if it ceases to meet those requirements.
- (16) If policy X is a restricted relief qualifying policy as provided for by paragraph A2(14) of Schedule 15 to ICTA, references in this section to policy X becoming a restricted relief qualifying policy are to be read as references to the policy determined under subsection (17) becoming a restricted relief qualifying policy.
- (17) The policy is—
- (a) the policy (“policy Y”) in relation to which policy X was the new policy, or
- (b) if policy Y was also a restricted relief qualifying policy as provided for by paragraph A2(14) of Schedule 15 to ICTA, the policy in relation to which policy Y was the new policy,
- and so on.
- (18) The following subsections apply for the purposes of this section if—
- (a) a premium (“premium A”) is payable under policy X on a day (“day A”) which is on or after 21 March 2012 but before 6 April 2013, and
- (b) the next premium payable under policy X is payable on a day (“day B”) which is—
- (i) on or after 6 April 2013, and
- (ii) more than one month after day A.
- (19) Premium A is to be treated as if, instead of being one premium payable on day A, it were a series of premiums payable at monthly intervals with the first premium in the series payable on day A.
- (20) The number of premiums in the series is equal to the number of complete months falling within the period beginning with day A and ending with day B.
- (21) The amount of each premium in the series is the amount of premium A divided by the number of premiums in the series.

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463C Restricted relief qualifying policies: personal representatives and trustees with deceased settlors

- (1) This section applies for the purpose of determining if personal representatives are liable for tax charged under this Chapter as provided for by section 466.
- (2) This section also applies for the purpose of determining if trustees are liable for tax charged under this Chapter as provided for by section 467 where—
 - (a) condition B in that section is met, and
 - (b) the person who created the trusts has died.
- (3) In relation to an event occurring on or after 6 April 2013, section 485 (disregard of certain events in relation to qualifying policies) does not apply in relation to a policy if the policy is a restricted relief qualifying policy (see paragraph A2 of Schedule 15 to ICTA).
- (4) If any personal representatives or trustees are liable for tax charged under this Chapter as a result of subsection (3), section 463A(3) is to apply in the case of the personal representatives or the trustees—
 - (a) as if the reference to the individual were to the personal representatives or to the trustees, and
 - (b) as if the restricted relief qualifying policy were policy X.
- (5) For this purpose—
 - (a) in section 463B(12)(a) the reference to the individual is to be read as a reference to the deceased, and
 - (b) a policy—
 - (i) which would otherwise have ceased to be “related” to policy X for the purposes of section 463B on the deceased's death, but
 - (ii) which continues to run after the deceased's death,is to be treated as “related” to policy X after the deceased's death.
- (6) A policy which is a new policy (as defined in paragraph 17 of Schedule 15 to ICTA) in relation to a policy treated as “related” to policy X under subsection (5)(b) or this subsection is also to be treated as “related” to policy X if, apart from the deceased's death, it would meet the requirements of section 463B(12)(a) and (b) on its issue.
- (7) A policy treated as “related” to policy X under subsection (5)(b) or (6) ceases to be so treated if, apart from the deceased's death, it would cease to meet the requirements of section 463B(12)(a) and (b).
- (8) If section 528A also applies in the case of the personal representatives or the trustees in relation to the gain, section 463A(3) is to be applied to the gain before section 528A and, accordingly, the reduction to be made under section 528A is to be determined by reference to the gain as reduced by section 463A(3).

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463D Restricted relief qualifying policies: assignments and events following assignments etc

- (1) This section applies if—
 - (a) paragraph A1 of Schedule 15 to ICTA applies in relation to a policy by virtue of paragraph A1(8) in consequence of an event relating to the policy (“the relevant event”),
 - (b) after the relevant event, the policy is not a qualifying policy by virtue of paragraph A1(2), and
 - (c) in relation to an event occurring after the relevant event—
 - (i) an individual is liable for tax charged under this Chapter on a gain from the policy, and
 - (ii) but for the application of paragraph A1 in relation to the policy, section 463A(3) would have applied in the case of the individual so as to reduce the gain.
- (2) Section 463A(3) is to apply in the case of the individual in relation to the gain as if the policy were policy X.
- (3) But, for this purpose, section 463B(5) has effect as if the references to the policy X period were to the part of that period falling before the relevant event.
- (4) If section 528 also applies in the case of the individual in relation to the gain, section 463A(3) is to be applied to the gain before section 528 and, accordingly, the reduction to be made under section 528 is to be determined by reference to the gain as reduced by section 463A(3).

463E Transitional protection for policies issued in respect of insurances made on or after 21 March 2012 but before 6 April 2013

- (1) This section applies if—
 - (a) a policy (“policy Z”) is issued,
 - (b) the issue of policy Z is an event falling within paragraph A2(3) of Schedule 15 to ICTA by virtue of paragraph (e),
 - (c) after its issue, policy Z is a qualifying policy but not a restricted relief qualifying policy,
 - (d) policy Z is varied on or after 6 April 2013 and the variation is an event falling within paragraph A1(3) of Schedule 15,
 - (e) after the variation, policy Z is not a qualifying policy by virtue of paragraph A1(2) of that Schedule,
 - (f) in relation to an event occurring after the variation, an individual is liable for tax charged under this Chapter on a gain from policy Z, and
 - (g) but for the application of paragraph A1 of Schedule 15 in relation to policy Z, the individual would not have been liable because of section 485.
- (2) The gain on which the tax is charged in the case of the individual is reduced by the following amount—

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$$G \times \frac{TPV}{TP}$$

where—

G is the amount of the gain (apart from this subsection),

TPV is the total amount of premiums payable under policy Z before the variation, and

TP is the total amount of premiums payable under policy Z before the chargeable event.

(3) If section 528 also applies in the case of the individual in relation to the gain, subsection (2) is to be applied to the gain before section 528 and, accordingly, the reduction to be made under section 528 is to be determined by reference to the gain as reduced by subsection (2).

(4) Section 463A(10) to (12) applies for the purposes of subsection (2).”

9 In section 485 (disregard of certain events in relation to qualifying policies) after subsection (7) insert—

“(8) This section is subject to sections 463A and 463C.”

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