
STATUTORY INSTRUMENTS

1995 No. 1916

INCOME TAX

The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 1995

<i>Made</i>	- - - -	<i>19th July 1995</i>
<i>Laid before the House of Commons</i>	- - - -	<i>20th July 1995</i>
<i>Coming into force</i>	- -	<i>10th August 1995</i>

The Treasury, in exercise of the powers conferred on them by section 463(1) and (4) of the Income and Corporation Taxes Act 1988(1), hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 1995 and shall come into force on 10th August 1995.

Interpretation

2. In these Regulations unless the context otherwise requires “the principal Regulations” means the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1992(2) and “regulation” means a regulation of those Regulations.

Amendments to the principal Regulations

3. In regulation 2—

(a) the following definition shall be inserted before the definition of “the Taxes Act”—

““specified cases” means all cases other than those where, in relation to an accounting period—

- (a) a friendly society has entered an appeal against an assessment or the refusal of a claim,
- (b) the appeal concerns the calculation, or exemption from tax, of profits of life or endowment business, and

(1) 1988 c. 1; section 463 was amended by section 50 of the Finance Act 1990 (c. 29) and by paragraph 10 of Schedule 9 to the Finance (No. 2) Act 1992 (c. 48).
(2) S.I. 1992/1655, amended by S.I. 1993/3111.

- (c) the hearing of that appeal by the General Commissioners or the Special Commissioners has begun on or before 21st April 1995;”;
- (b) the following definition shall added at the end—
- ““the 1992 Act” means the Taxation of Chargeable Gains Act 1992(3).”.

4. After regulation 3 there shall be inserted the following regulations—

“Modifications of section 72 of the Finance Act 1960

3A.—(1) Paragraphs (2) and (3) prescribe modifications of section 72 of the Finance Act 1960(4) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 4th May 1966 but before 6th April 1970.

(2) In subsection (2) for the words following “foregoing subsection” there shall be substituted the words “is machinery or plant provided for use or used for the purposes of the management of the taxable life or endowment business of a friendly society”.

(3) After subsection (2) there shall be inserted—

“(2A) in subsection (2) of this section “taxable life or endowment business” means life or endowment business (construed in accordance with section 29(8) of the Finance Act 1966(5) which is not exempt from corporation tax by virtue of section 440(1) of the Income Tax Act 1952(6).”.

Modifications of section 69 of the Finance Act 1965

3B.—(1) Paragraphs (2) to (4) prescribe modifications of section 69 of the Finance Act 1965(7) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 4th May 1966 but before 6th April 1970.

(2) In subsection (1)—

(a) The following paragraph shall be inserted before paragraph (a)—

“(za) the amount treated as expenses of management shall be restricted to expenses referable to life or endowment business (construed in accordance with section 29(8) of the Finance Act 1966) which is not exempt from corporation tax by virtue of section 440(1) of the Income Tax Act 1952;”;

(b) in paragraph (a) after the words “expenses of management” there shall be inserted the words “(as so restricted)”.

(3) In paragraph (b) of subsection (3) for the words “that business” there shall be substituted the words “taxable general annuity business”.

(4) After subsection (9) there shall be added—

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- (3) 1992 c. 12.
- (4) 1960 c. 44; section 72 was amended by paragraph 18 of Schedule 12 and Part I of Schedule 13 to the Finance Act 1963 (c. 25) and by section 57(5) of, and paragraph 15 of Schedule 14 and Part IV of Schedule 22 to, the Finance Act 1965 (c. 25), and repealed by Schedule 16 to the Income and Corporation Taxes Act 1970 (c. 10).
- (5) 1966 c. 18; section 29(8) was repealed by Schedule 16 to the Income and Corporation Taxes Act 1970.
- (6) 1952 c. 10; section 440(1) was amended by Part I of Schedule 13 to the Finance Act 1963, by paragraph 4(1)(a) of Schedule 15 to the Finance Act 1965 and by Part III of Schedule 13 to the Finance Act 1966, and repealed by Schedule 16 to the Income and Corporation Taxes Act 1970.
- (7) 1965 c. 25; section 69 was amended by paragraph 9 of Schedule 5 and Part VI of Schedule 11 to the Finance Act 1966 and by paragraph 1 of Schedule 13 to the Finance Act 1967 (c. 54), and repealed by Schedule 16 to the Income and Corporation Taxes Act 1970.

“(10) In subsection (3)(b) above “taxable general annuity business” means general annuity business other than general annuity business the profits arising from which are exempt from tax by virtue of section 440(1) of the Income Tax Act 1952.”.

Modifications of section 305 (1) of the Income and Corporation Taxes Act 1970

3C.—(1) Paragraphs (2) and (3) prescribe modifications of section 305(1) of the Income and Corporation Taxes Act 1970(8) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1970 but before 6th April 1988.

(2) The following paragraph shall be inserted before paragraph (a)—

“(za) the amount treated as expenses of management shall be restricted to expenses referable to life or endowment business (construed in accordance with section 337(2)(9) below) which is not exempt from corporation tax by virtue of section 332(1) below;”.

(3) in paragraph (a) after the words “expenses of management” there shall be inserted the words “(as so restricted)”.

Modifications of section 306 of the Income and Corporation Taxes Act 1970

3D.—(1) Paragraphs (2) and (3) prescribe modifications of section 306 of the Income and Corporation Taxes Act 1970(10) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1970 but before 6th April 1988.

(2) In subsection (1) for the words from “of the business” to “of life assurance,” there shall be substituted the words “of the taxable life or endowment business of a friendly society”.

(3) After subsection (1) there shall be inserted—

“(1A) In subsection (1) above “taxable life or endowment business” means life or endowment business (construed in accordance with section 337(2) below) which is not exempt from corporation tax by virtue of section 332(1) below.”.

3E.—(1) Paragraphs (2) and (3) prescribe modifications of section 306 of the Income and Corporation Taxes Act 1970 so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1988 but before 6th April 1990.

(2) In subsection (1) for the words from “of the business” to “of life assurance,” there shall be substituted the words “of the taxable life or endowment business of a friendly society”.

(3) After subsection (1) there shall be inserted—

“(1A) In subsection (1) above “taxable life or endowment business” means life or endowment business (construed in accordance with section 466(1) of the Taxes Act 1988(11)) which is not exempt from corporation tax by virtue of section 460 (1) of that Act(12)

(8) 1970 c. 10; section 305 was amended by paragraph 1(1) of Schedule 18 and Part VI of Schedule 28 to the Finance Act 1972 (c. 41), and repealed by Schedule 31 to the Income and Corporation Taxes Act 1988.

(9) Section 337(2) was amended by paragraph 23 of Schedule 9 to the Friendly Societies Act 1974 (c. 46), section 41(7) of the Finance Act 1985 (c. 54), and paragraph 2(2) of Schedule 2 and Part I of Schedule 9 to the Finance (No. 2) Act 1987 (c. 51), and repealed by Schedule 31 to the Income and Corporation Taxes Act 1988.

(10) Section 306 was repealed by Schedule 2 to the Capital Allowances Act 1990 (c. 1).

(11) Section 466(1) was amended by paragraph 14(2) of Schedule 9 to the Finance (No. 2) Act 1992.

Modifications of section 313 of the Income and Corporation Taxes Act 1970

3F.—(1) Paragraphs (2) and (3) prescribe modifications of section 313 of the Income and Corporation Taxes Act 1970(13) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1970 but before 6th April 1988.

(2) In subsection (1) for the words “that business” there shall be substituted the words “taxable general annuity business”.

(3) After subsection (6) there shall be added—

“(7) In subsection (1) above “taxable general annuity business” means general annuity business other than general annuity business the profits arising from which are exempt from tax by virtue of section 332(1) below.”.

Modification of section 75 (3) of the Taxes Act

3G.—(1) Paragraph (2) prescribes a modification of subsection (3) of section 75 of the Taxes Act so far as it applies in designated cases to the life or endowment business carried on by friendly societies where an excess such as is mentioned in that subsection arises for an accounting period beginning on or after 1st January 1990.

(2) In paragraph (b), after the words “expenses of management” there shall be inserted the words “referable to business chargeable to corporation tax”.

(3) In paragraph (1) “designated cases” means all cases where—

- (a) expenses of management have been disbursed in the accounting period,
- (b) some of those expenses, when disbursed, were referable to business exempt from corporation tax by virtue of section 460(1) of the Taxes Act, and
- (c) in relation to the accounting period the case was not a specified case.

Modifications of section 76 (1) of the Taxes Act

3H.—(1) Paragraphs (2) and (3) prescribe modifications of section 76(1)(14) of the Taxes Act so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1988 but beginning before 1st January 1990.

(2) The following paragraph shall be inserted before paragraph (a)—

“(za) the amount treated as expenses of management shall be restricted to expenses referable to life or endowment business (construed in accordance with section 466(1)) which is not exempt from corporation tax by virtue of section 460(1);”.

(3) In paragraph (a) after the words “expenses of management” there shall be inserted the words “(as so restricted)”.

3I.—(1) Paragraphs (2) and (3) prescribe modifications of subsection (1) of section 76 of the Taxes Act so far as it applies to the life or endowment business carried on by friendly

(12) Section 460(1) was amended by paragraph 5(2) of Schedule 9 to the Finance (No. 2) Act 1992.

(13) Section 313 was amended by paragraph 3 of Schedule 18 to the Finance Act 1972, paragraph 9(2) of Schedule 6 and paragraph 7(2) of Schedule 7 to the Finance Act 1974 (c. 30), section 99(2) of the Finance Act 1984 (c. 43) and paragraph 7 of Schedule 25 to the Finance Act 1985, and repealed by Schedule 31 to the Income and Corporation Tax Act 1988.

(14) Section 76(1) was amended by section 87(2) of the Finance Act 1989 (c. 26) and section 44(3) of and paragraph 1 of Schedule 7 to the Finance Act 1990 with respect to accounting periods beginning on or after 1st January 1990.

societies for accounting periods beginning on or after 1st January 1990 but before 1st January 1992.

(2) In paragraph (ca) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance business”.

(3) In paragraph (e) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance business”.

3J.—(1) Paragraph (2) prescribes a modification of subsection (1) of section 76 of the Taxes Act so far as it applies in specified cases to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1990 but before 1st January 1992.

(2) In paragraph (d) after the words “referable to” there shall be inserted the words “tax exempt basic life assurance business”.

3K.—(1) Paragraphs (2) and (3) prescribe modifications of subsection (1) of section 76 of the Taxes Act(15) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1992.

(2) In paragraph (ca) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance and general annuity business”.

(3) In paragraph (e) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance and general annuity business”.

3L.—(1) Paragraph (2) prescribes a modification of subsection (1) of section 76 of the Taxes Act so far as it applies in specified cases to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1992.

(2) In paragraph (d) after the words “referable to” there shall be inserted the words “tax exempt basic life assurance and general annuity business”.

5.—(1) In regulation 8(1A)(16), for the words “subsection (8)” there shall be substituted the words “subsection (1A) or (7A)”(17).

(2) Paragraph (1) shall have effect for accounting periods of friendly societies beginning on or after 1st January 1994.

6. After regulation 10 there shall be inserted the following regulations—

“Modifications of section 437 of the Taxes Act

10A.—(1) Paragraphs (2) and (3) prescribe modifications of section 437 of the Taxes Act(18) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1988 but beginning before 1st January 1992.

(15) Section 76(1) was amended by section 87(2) of the Finance Act 1989, section 44(3) of and paragraph 1 of Schedule 7 to the Finance Act 1990 and paragraph 1 of Schedule 7 and Part V of Schedule 19 to the Finance Act 1991 (c. 31) with respect to accounting periods beginning on or after 1st January 1992, and by paragraph 7 of Schedule 8 to the Finance Act 1995 (c. 4) with respect to accounting periods beginning on or after 1st January 1995.

(16) Paragraph (1A) of regulation 8 was substituted by regulation 7 of S.I. 1993/3111.

(17) Subsection (1A) of section 37 of the Friendly Societies Act 1992 (c. 40) was inserted, and subsection (7A) was substituted, by regulation 3 of S.I. 1993/2519.

(18) Section 437 was amended by paragraph 6 of Schedule 6 to the Finance Act 1990 with respect to accounting periods beginning on or after 1st January 1990 and by paragraphs 4(4) and 5 of Schedule 7 and Part V of Schedule 19 to the Finance Act 1991 with respect to accounting periods beginning on or after 1st January 1992.

(2) In subsection (1) for the words “that business” there shall be substituted the words “taxable general annuity business”.

(3) After subsection (6) there shall be added—

“(7) In subsection (1) above “taxable general annuity business” means general annuity business other than general annuity business the profits arising from which are exempt from tax by virtue of section 460(1).”.

10B.—(1) Paragraph (2) prescribes a modification of section 437 of the Taxes Act so far as it applies to life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1992.

(2) In subsection (1A) there shall be inserted after the words “that they” the words “are referable to taxable basic life and general annuity business and”.

Modifications of section 440 of the Taxes Act

10C.—(1) Paragraphs (3) and (4) prescribe modifications of section 440 of the Taxes Act⁽¹⁹⁾ so far as it applies to the life or endowment business carried on by friendly societies in a case specified in paragraph (2).

(2) A case specified in this paragraph is any case where, on or after 20th March 1990 but before 1st January 1995—

- (a) A non-directive society becomes a directive society, or
- (b) a non-directive society, pursuant to conditions imposed by the Friendly Societies Commission under section 37(8) of the Friendly Societies Act 1992⁽²⁰⁾, separates the funds maintained in respect of the society’s long term business from other funds maintained in respect of the society’s business.

(3) In subsection (1), before the words “If at any time” there shall be inserted the words “Subject to subsection (4A) below,”.

(4) After subsection (4) there shall be inserted—

“(4A) Subsection (1) above shall not have effect in relation to the transfer of assets from the category set out in paragraph (e) of subsection (4) above to the category set out in paragraph (d) of that subsection.”.

7.—(1) In regulation 18(2), in the substituted subsection (2) of section 83 of the Finance Act 1989⁽²¹⁾, for the words “or “Other income”” in both places where they occur there shall be substituted the words “, “Other income ” or “Other expenditure””.

(2) Paragraph (1) shall have effect for accounting periods of friendly societies beginning on or after 1st January 1990 but before 1st January 1995.

8. After regulation 18 there shall be inserted the following regulation—

⁽¹⁹⁾ Section 440 was substituted by paragraphs 8 and 11(2) of Schedule 6 to the Finance Act 1990 with effect from 1st January 1990 and amended by paragraphs 6(1) and 18 of Schedule 7 to the Finance Act 1991 with respect to accounting periods beginning on or after 1st January 1992, by paragraph 14(22) of Schedule 10 to the Taxation of Chargeable Gains Tax Act 1992, by paragraphs 5 and 28(3) of Schedule 8 to the Finance Act 1995 with respect to accounting periods beginning on or after 1st January 1995, and by paragraph 1 of Schedule 9 to the Finance Act 1995.

⁽²⁰⁾ 1992 c. 40; section 37(8) was substituted by regulation 3 of S.I. 1993/2519.

⁽²¹⁾ 1989 c. 26; section 83 was substituted by paragraph 16(1) of Schedule 8 to the Finance Act 1995 with respect to accounting periods beginning on or after 1st January 1995.

“Modifications of section 28 of the Capital Allowances Act 1990

18A.—(1) Paragraphs (2) and (3) prescribe modifications of section 28 of the Capital Allowances Act 1990(**22**) so far as it applies in specified cases to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1990 but beginning before 1st January 1995.

(2) In subsection (1) for the words from “of the business” to “of life assurance,” there shall be substituted the words “of the taxable life or endowment business of a friendly society”.

(3) After subsection (1) there shall be inserted—

“(1A) In subsection (1) above “taxable life or endowment business” means life or endowment business (construed in accordance with section 466(1) of the principal Act) which is not exempt from corporation tax by virtue of section 460(1) of that Act.”.

9. After regulation 19 there shall be inserted the following regulations—

“Modifications of Schedule 8 to the Finance Act 1990

19A.—(1) Paragraphs (2) and (3) prescribe modifications of paragraph 1 of Schedule 8 to the Finance Act 1990(**23**) so far as it applies to the life or endowment business carried on by friendly societies and paragraph (4) prescribes a further modification of that paragraph so far as it applies to the life or endowment business carried on by non-directive societies.

(2) After sub-paragraph (1) (e) there shall be added—

“(f) “tax exempt basic life assurance and general annuity business”, “taxable basic life assurance and general annuity business”, “taxable basic life assurance business” and “taxable general annuity business” shall be construed in accordance with section 431 (2) of the Taxes Act 1988(**24**).”.

(3) In sub-paragraph (2), before the words “basic life assurance business” and “general annuity business”, wherever occurring, there shall be inserted the word “taxable”.

(4) The following sub-paragraph shall be added at the end—

“(3) References in this Schedule to assets, in relation to a company’s long term business fund, have the same meaning as in section 432A(1) of the Taxes Act 1988(**25**).”.

19B.—(1) Paragraphs (2) and (3) prescribe modifications of paragraph 3 of Schedule 8 to the Finance Act 1990(**26**) so far as it applies to the life or endowment business carried on by friendly societies.

(2) In sub-paragraph (1)(c)—

(a) before the words “basic life assurance and general annuity business” where they first occur there shall be inserted the word “taxable”; and

(b) for the words “basic life assurance and general annuity business” where they secondly occur there shall be substituted the words “taxable basic life assurance

(22) 1990 c. 1; section 28 was amended by paragraph 9 of Schedule 7 to the Finance Act 1990 and substituted by paragraph 24 of Schedule 8 to the Finance Act 1995 with respect to accounting periods beginning on or after 1st January 1995.

(23) 1990 c. 29; paragraph 1 of Schedule 8 was amended by sub-paragraphs (1) to (4) of paragraph 15 of Schedule 7 to the Finance Act 1991. Schedule 8 was repealed by Schedule 12 to the Taxation of Chargeable Gains Act 1992.

(24) Section 431(2) was amended by paragraph 1(2) of Schedule 6 to the Finance Act 1990, by paragraph 2 of Schedule 7 to the Finance Act 1991, by section 99(2) of the Finance Act 1993 (c. 34) and by regulation 5 of S.I. 1992/1655.

(25) Section 432A was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990 and amended by paragraphs 3 and 18 of Schedule 7 to the Finance Act 1991 with respect to accounting periods beginning on or after 1st January 1992. Subsections (11) to (14) of section 432A were added by regulation 8(5) of S.I. 1992/1655.

(26) Paragraph 3 of Schedule 8 was amended by paragraph 15(5) of Schedule 7 to the Finance Act 1991. Schedule 8 was repealed by Schedule 12 to the Taxation of Chargeable Gains Act 1992.

and general annuity business or tax exempt basic life assurance and general annuity business”.

(3) In sub-paragraph (2) (a), after the words “pension business” there shall be inserted the words “or tax exempt basic life assurance and general annuity business”.

10. After regulation 20 there shall be inserted the following regulation—

“Modification of paragraph 16 of Schedule 7 to the Finance Act 1991

20A.—(1) Paragraph (2) prescribes a modification of paragraph 16 of Schedule 7 to the Finance Act 1991⁽²⁷⁾ so far as it as applies in specified cases to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1992.

(2) In sub-paragraph (7), in the definition of “general annuity contract”, before the words “general annuity business” there shall be inserted the word “taxable”.

11. For regulation 21 there shall be substituted—

“Modifications of section 212 of the 1992 Act

21.—(1) Paragraph (3) prescribes a modification of section 212 of the 1992 Act⁽²⁸⁾ so far as it applies to the life or endowment business carried on by friendly societies and paragraph (4) prescribes a further modification of that section so far as it applies to the life or endowment business carried on by non-directive societies.

(2) This regulation has effect for accounting periods of incorporated friendly societies beginning on or after 19th February 1993, and for accounting periods of friendly societies other than incorporated friendly societies beginning on or after 1st January 1993.

(3) In subsection (2), before the words “or to assets” there shall be inserted the words “or tax exempt basic life assurance and general annuity business”.

(4) The following subsection shall be added at the end—

“(9) In subsection (1) above, the word “assets” in the expression “assets of an insurance company’s long term business fund” shall be construed in accordance with the word “assets” in the expression “assets of the company’s long term business fund” in subsection (11) of section 432A of the Taxes Act.”.

12. After regulation 21 there shall be inserted the following regulations—

“Modification of section 213 (1A) of the 1992 Act

21A.—(1) Paragraph (2) prescribes a modification of subsection (1A) of section 213 of the 1992 Act⁽²⁹⁾ so far as it applies to the life or endowment business carried on by friendly societies for accounting periods of incorporated friendly societies beginning on or after 19th February 1993 and for accounting periods of friendly societies other than incorporated friendly societies beginning on or after 1st January 1993.

(2) In paragraph (a) after the words “referable to” there shall be inserted the word “taxable”.

(27) 1991 c. 31.

(28) Section 212 was amended by section 91(2)(b) and (3) of, and Part III(8) of Schedule 23 to, the Finance Act 1993, and by section 134(5) to (7) of, and paragraphs 9(2) and 28(5) of Schedule 8 to, the Finance Act 1995.

(29) Section 213(1A) was inserted by section 91(4) of the Finance Act 1993.

Modifications of section 214 of the 1992 Act

21B.—(1) Paragraphs (2) to (5) prescribe modifications of section 214 of the 1992 Act⁽³⁰⁾ so far as it applies to the life or endowment business carried on by friendly societies and paragraph (6) prescribes a further modification of that section so far as it applies to the life or endowment business carried on by non-directive societies for accounting periods beginning on or after 6th April 1992.

(2) In subsection (1)(c), before the words “basic life assurance” there shall be inserted the word “taxable”.

(3) In subsection (2), before the words “basic life assurance business” and before the words “general annuity business”, wherever occurring, there shall be inserted the word “taxable”.

(4) In subsection (6)(c)—

- (a) before the words “basic life assurance and general annuity business” where they first occur there shall be inserted the word “taxable”; and
- (b) for the words “basic life assurance and general annuity business” where they secondly occur there shall be substituted the words “taxable basic life assurance and general annuity business or tax exempt basic life assurance and general annuity business”.

(5) In subsection (7)(a), after the words “pension business” there shall be inserted the words “or tax exempt basic life assurance and general annuity business”.

(6) The following subsection shall be added at the end—

“(13) References in this section to assets, in relation to a company’s long term business fund, have the same meaning as in section 432A (1) of the Taxes Act.”.

Modifications of section 214A of the 1992 Act

21C.—(1) Paragraphs (2) and (3) prescribe modifications of section 214A of the 1992 Act⁽³¹⁾ so far as it applies to the life or endowment business carried on by friendly societies for accounting periods of incorporated friendly societies beginning on or after 19th February 1993 and for accounting periods of friendly societies other than incorporated friendly societies beginning on or after 1st January 1993.

(2) In subsection (4), before the words “basic life assurance”, wherever occurring, there shall be inserted the word “taxable”.

(3) In subsection (11)—

- (a) before the words “basic life assurance” there shall be inserted the word “taxable”; and
- (b) in paragraph (a), after the words “pension business” there shall be inserted the words “,tax exempt basic life assurance and general annuity business”.”.

13. Regulation 19 is hereby revoked.

⁽³⁰⁾ Section 214 was amended by section 91(5) and (6) of, and Part III(8) of Schedule 23 to, the Finance Act 1993 and by paragraph 1 of Schedule 9 to the Finance Act 1995; and, in its application to an overseas life insurance company, by paragraph 12 of Schedule 7B to the Taxation of Chargeable Gains Act 1992. Schedule 7B was inserted by Schedule 11 to the Finance Act 1993.

⁽³¹⁾ Section 214A was inserted by section 91(5) of the Finance Act 1993 and amended by paragraph 9(3) of Schedule 8, and paragraphs 1 and 5 of Schedule 9, to the Finance Act 1995.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

19th July 1995

Derek Conway
Andrew Mackay
Two of the Lords Commissioners of Her
Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1992 (S.I.1992/1655, amended by S.I. 1993/3111) (“the principal Regulations”).

Regulation 1 provides for citation and commencement, and regulation 2 contains definitions.

The remaining regulations make amendments to the principal Regulations.

Regulation 3 inserts two new definitions in regulation 2 of the principal Regulations.

Regulation 4 inserts a number of new regulations (3A to 3L) in the principal Regulations.

As a result of the enactment of section 29 of the Finance Act 1966 which, for the first time, made friendly societies taxable in respect of certain categories of life or endowment business, it became possible for a friendly society to carry on both taxable business and tax exempt business. The new inserted regulations make provision for the apportionment of certain items so that only the part referable to taxable business constitutes an allowable deduction in computing a friendly society’s taxable profits. Provision is made in respect of all accounting periods ending on or after 4th May 1966 (the date when certain categories of life or endowment business first became taxable) as tax liabilities for past accounting periods may still be unsettled, and there may be circumstances in which deductions can be carried forward without limit of time and without the necessity to make a claim. The items in question are capital allowances on machinery and plant (the subject of regulations 3A, 3D and 3E), management expenses (the subject of regulations 3B, 3C and 3G to 3L) and annuity business (the subject of regulations 3B and 3F).

Regulation 5 amends regulation 8 of the principal Regulations to take account of an amendment to the Friendly Societies Act 1992.

Regulation 6 inserts three new regulations (10A to 10C) in the principal Regulations.

The inserted regulations 10A and 10B make provision in relation to annuity business in the same manner as the new inserted regulations 3B and 3F.

The new inserted regulation 10C prescribes modification of section 440 of the Income and Corporation Taxes Act 1988 (“the Taxes Act”), and applies in a case where, on or after 1st January 1990, a non-directive society becomes a directive society or is required, pursuant to conditions imposed by virtue of section 37(8) of the Friendly Societies Act 1992, to separate its long term business fund from other funds. In such a case a charge to corporation tax on chargeable gains could arise under section 440 of the Taxes Act because assets fall to be classified according to different categories. The modifications of section 440 made by this regulation prevent such a charge from arising.

Regulation 7 amends regulation 18 of the principal Regulations to enable decreases as well as increases in the value of the assets of the society’s long-term business fund to be brought into account in computing the society’s profits in respect of its life assurance business.

Regulation 8 inserts a new regulation 18A in the principal Regulations. The new regulation make provision in relation to capital allowances in the same manner as the new inserted regulations 3A and 3D.

Regulation 9 inserts two new regulations (19A and 19B) in the principal Regulations. The new regulations prescribe modifications of paragraphs 1 and 3 of Schedule 8 to the Finance Act 1990, so that those provisions apply to the taxable basic life assurance and taxable general annuity business of friendly societies.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

Regulation 10 inserts a new paragraph 20A in the principal Regulations. The new regulation prescribes a modification of paragraph 16 of Schedule 7 to the Finance Act 1991, so that the corporation tax relief available to friendly societies for annuity contracts taken out before 1st January 1992 is confined to those contracts referable to taxable general annuity business.

Regulation 11 substitutes a new regulation 21 in the principal Regulations. Regulation 21 prescribed modifications of section 212 of the Taxation of Chargeable Gains Act 1992 (“the 1992 Act”), and the substituted regulation contains provisions which take account of legislative amendments to that section. The substituted regulation has effect for accounting periods of incorporated friendly societies beginning on or after 19th February 1993 and for accounting periods of friendly societies other than incorporated friendly societies beginning on or after 1st January 1993.

Regulation 12 inserts three new regulations (21A to 21C) in the principal Regulations. These new regulations prescribe modifications of sections 213A, 214 and 214A of the 1992 Act so that those provisions apply to the taxable basic life assurance and general annuity business of friendly societies. The new regulations 21A and 21C have effect for accounting periods of incorporated friendly societies beginning on and after 19th February 1993 and for accounting periods of friendly societies other than incorporated friendly societies beginning on or after 1st January 1993, and the new regulation 21B has effect for accounting periods of friendly societies beginning on or after 6th April 1992.

Regulation 13 provides for regulation 19 of the principal Regulations, which made modifications to section 46 of the Finance Act 1990, to be revoked. Subsequent legislation resulted in section 46 never taking effect, and the section has now been repealed.

Authority for the retrospective effect of these Regulations is given by section 463(4) of the Taxes Act.