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STATUTORY INSTRUMENTS

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**1996 No. 2991**

**The Insurance Companies (Reserves) (Tax) Regulations 1996**

**PART I**  
**GENERAL**

**Citation, commencement and effect**

1. These Regulations may be cited as the Insurance Companies (Reserves) (Tax) Regulations 1996, shall come into force on 23rd December 1996, and shall have effect for accounting periods of insurance companies ending on or after that day.

**Interpretation**

2.—(1) In these Regulations unless the context otherwise requires—

“the Board” means the Commissioners of Inland Revenue;

“branch” includes agency;

“credit insurance business” has the meaning given by subsection (7) of section 444BD;

“credit insurance equalisation reserve” means a reserve which is an equivalent reserve for the purposes of section 444BD by virtue of subsection (3) of that section;

“double taxation relief” has the meaning given by subsection (6) of section 444BB;

“EC company” has the same meaning as in the 1982 Act(1);

“equivalent reserve” shall be construed in accordance with section 444BD;

“the Management Act” means the Taxes Management Act 1970(2);

“paragraph 52 method of accounting on a non-annual basis” means the method of accounting on a non-annual basis described in paragraph 52 of Schedule 9A to the Companies Act 1985(3);

“return period” means the period covered in a document prepared by an insurance company for the purposes of section 17 of the 1982 Act;

“section 34A regulations” means regulations made under section 34A of the 1982 Act(4);

“section 444BA”, “section 444BB”, “section 444BC” and “section 444BD” mean sections 444BA, 444BB, 444BC and 444BD respectively of the Taxes Act(5);

“the Taxes Act” means the Income and Corporation Taxes Act 1988(6);

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- (1) The definition of “EC company” was inserted as section 2(6) of the Insurance Companies Act 1982 (c. 50) by regulation 4(2) of S.I. 1994/1696, and that definition was supplemented by section 2(7) of that Act inserted by regulation 3(1) of S.I. 1994/3132. Section 2(7) was amended by regulation 3 of S.I. 1996/944.
- (2) 1970 c. 9.
- (3) 1985 c. 6; Parts I and II of Schedule 9 were formed into a new Schedule numbered 9A by regulation 5(1) of S.I. 1991/2705, and Schedule 9A was substituted by Schedule 1 to S.I. 1993/3246.
- (4) Section 34A was inserted by section 1(1) of the Insurance Companies (Reserves) Act 1995 (c. 29). The Insurance Companies (Reserves) Regulations (S.I. 1996/ 946) come into force on the same day as these Regulations.
- (5) Sections 444BA to 444BD were inserted by paragraph 1 of Schedule 32 to the Finance Act 1996 (c. 8).
- (6) 1988 c. 1.

“the 1982 Act” means the Insurance Companies Act 1982(7).

(2) In these Regulations “statutory accounts”, in relation to a company, means—

- (a) the annual accounts of the company prepared in accordance with Part VII of the Companies Act 1985, or
- (b) if the company is not required to prepare such accounts, the accounts which it is required to keep under the law of its home state or, if it is not so required to keep accounts, such of its accounts as most closely correspond to accounts which it would have been required to prepare if the provisions of that Part applied to the company.

(3) For the purposes of these Regulations a return period and an accounting period are related if any day falls within both the return period and the accounting period.

### **Differing treatments of reserves**

3.—(1) This regulation applies in any case where for any accounting period—

- (a) an insurance company maintains any reserve to which these Regulations apply, and
- (b) the amount of that reserve for the purposes of the Tax Acts is different from the amount of that reserve as maintained for regulatory purposes.

(2) A separate computation of the amount of the reserve for the purposes of the Tax Acts and of the amount of the reserve as maintained for regulatory purposes shall be made for each accounting period until, in any later accounting period, the two computations produce the same opening balance for the reserve.

(3) For the purposes of this regulation a reserve is maintained by a company for regulatory purposes if it is maintained—

- (a) by virtue of section 34A regulations, or
- (b) for the purposes of the company’s statutory accounts, or
- (c) for the purposes of any credit insurance business in accordance with requirements specified in subsection (3) of section 444BD.