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STATUTORY INSTRUMENTS

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**2003 No. 1860**

**INCOME TAX**

**The Life Assurance (Apportionment of Receipts of Participating Funds) (Applicable Percentage) Order 2003**

<i>Made</i>	- - - -	<i>17th July 2003</i>
<i>Laid before the House of Commons</i>	- - - -	<i>17th July 2003</i>
<i>Coming into force</i>	- -	<i>7th August 2003</i>

The Treasury, in exercise of the power conferred upon them by section 432E(4) of the Income and Corporation Taxes Act 1988(1), hereby make the following Order:

**Citation, commencement and effect**

1.—(1) This Order may be cited as the Life Assurance (Apportionment of Receipts of Participating Funds) (Applicable Percentage) Order 2003 and shall come into force on 7th August 2003.

(2) This Order has effect for periods of account ending on or after 7th August 2003.

**Determination of applicable percentage**

2. The applicable percentage for the purposes of subsection (3) of section 432E of the Income and Corporation Taxes Act 1988(2) is—

$$\frac{A \times 100}{B} \text{ per cent.}$$

Here—

*A* is the net amount referred to in subsection (1) of that section as brought into account for the period in question for the purposes of section 83(2) of the Finance Act 1989(3) in respect of the relevant business less the part of that net amount which is attributable to linked assets, and

*B* is the mean of the opening and closing liabilities of the relevant business reduced by the opening and closing values of any assets of the relevant business which are linked assets.

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(1) 1988 c. 1. Section 432E was inserted, together with sections 432A and 432B to 432D, by paragraph 4 of Schedule 6 to the Finance Act 1990 (c. 29).  
(2) Subsection (3) was amended by paragraph 12(1)(a) of Schedule 8 to the Finance Act 1995 (c. 4).  
(3) 1989 c. 26. Section 83(2) was substituted by paragraph 2(2) of Schedule 33 to the Finance Act 2003 (c. 14).

### Revocations

3. The following orders are revoked—

- (a) the Life Assurance (Apportionment of Receipts of Participating Funds) (Applicable Percentage) Order 1990(4);
- (b) the Life Assurance (Apportionment of Receipts of Participating Funds) (Applicable Percentage) (Amendment) Order 1990(5);
- (c) the Life Assurance (Apportionment of Receipts of Participating Funds) (Applicable Percentage) (Amendment) Order 1995(6);
- (d) the Life Assurance (Apportionment of Receipts of Participating Funds) (Applicable Percentage) (Amendment) Order 1998(7).

*Jim Murphy*

*Nick Ainger*

Two of the Lords Commissioners of Her  
Majesty's Treasury

17th July 2003

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(4) S.I. 1990/1541, amended by S.I. 1990/2546, S.I. 1995/1211 and S.I. 1998/2920.

(5) S.I. 1990/2546.

(6) S.I. 1995/1211.

(7) S.I. 1998/2920.

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order provides for the method of determining “the applicable percentage” for the purposes of section 432E(3) of the Income and Corporation Taxes Act 1988 (c. 1). It replaces the Life Assurance (Apportionment of Receipts of Participating Funds) (Applicable Percentage) Order 1990 (S.I. 1990/1541) (“the 1990 Order”) for periods of account ending on or after 7th August 2003.

The 1990 Order provided for the applicable percentage to be the smaller of two rates – the mean of gross redemption yields and the net investment yield. Both these rates were to be determined in accordance with the provisions of the 1990 Order. The new Order provides for the applicable percentage to be the net investment yield only. The method of determination remains the same as that under the 1990 Order.

Article 1 provides for citation, commencement and effect.

Article 2 provides for the determination of the appropriate percentage.

Article 3 revokes the 1990 Order and related amending orders.