

EXPLANATORY MEMORANDUM TO
THE INSURANCE COMPANIES (TAXATION OF REINSURANCE BUSINESS)
(CORPORATION TAX ACTS) (AMENDMENT) ORDER 2007

2007 No. 3430

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Description

The Order modifies the Corporation Tax Acts ("CT Acts") as they apply to companies carrying on life assurance business for the purpose of allowing them to apply appropriately to certain reinsurance companies.

3. Matters of Special interest to the Select Committee on Statutory Instruments

None

4. Legislative Background

- 4.1 The Financial Services Authority, implementing the EC Reinsurance Directive, permits certain reinsurance companies authorised as Insurance Special Purpose Vehicles (ISPVs) to be exempt from the regulatory legislation applying generally to companies carrying on life assurance business.
- 4.2 Because the CT Acts applying to such companies uses that regulatory legislation, the FSA's Handbook of Rules, as the basis for taxation, it is necessary to modify certain provisions of those Acts to enable ISPVs which reinsure the business of other group members to be taxed in an appropriate manner.

5. Extent

The instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Economic Secretary to the Treasury (Kitty Ussher MP) has made the following statement regarding Human Rights:

"In my view the provisions of the Insurance Companies (Taxation of Reinsurance Business) (Corporation Tax Acts) (Amendment) Order 2007 are compatible with the Convention rights."

7. Policy Background

- 7.1 Section 431A(1) of the Income and Corporation Taxes Acts 1988 ("ICTA") provides that an Order may be made amending the primary legislation applying

to companies carrying on life assurance business where that is necessary as a result of changes made to, or under powers in, the Financial Services and Markets Act 2000.

- 7.2 The power is needed because much of the tax legislation applying to such companies is based on the FSA's Rules in its Prudential Sourcebooks, and these Sourcebooks change frequently.
- 7.3 The proposals included in the Order have been the subject of consultation with the insurance industry.
- 7.4 Guidance on the Order will be included in HMRC's Life Assurance Manual

8. Impact

- 8.1 A Regulatory Impact Assessment has not been published for this instrument as no impact on the private or voluntary sector is foreseen
- 8.2 The Order will prevent substantial volatility in the tax treatment of Insurance SPVs.

9. Contact

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