

**EXPLANATORY MEMORANDUM TO  
THE INCOME TAX (PURCHASED LIFE ANNUITIES) (AMENDMENT)  
REGULATIONS 2008**

**2008 No. 1481**

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

**2. Description**

2.1 The Order corrects a minor defect in the Income Tax (Purchased Life Annuities) Regulations 2008 (S.I. 2008/562) that came into force on 6 April 2008.

2.2 The Order amends regulation 19(1)(d) of the Income Tax (Purchased Life Annuities) Regulations 2008 which is omitted by this order and replaced by a new regulation 19(1)(d).

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

The Order follows from a memorandum from the Select Committee on Statutory Instruments dated 26 March 2008 and reflects the response to the Committee by HMRC.

**4. Legislative Background**

The Order is an exercise of the powers in section 724 Income Tax (Trading and Other Income) Act 2005 and section 658(3) Income and Corporation Taxes Act 1988, as amended by section 46 Finance Act 2007. The Order will apply to annuities under which the first payment is made to the annuitant on or after 6 April 2008. The Order clarifies the situations where the Commissioners of HMRC may appoint a tax representative where a previous representative's appointment was terminated in the circumstances set out in regulation 14(4) or 15 and the insurer fails to nominate another person as a tax representative in accordance with regulation 14(6) or 15(2).

**5. Extent**

The instrument applies to all of the United Kingdom and to non-United Kingdom insurers who sell purchased Life Annuities to annuitants in the United Kingdom.

## **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy Background**

7.1 Section 46 FA 2007 paved the way for the new regulations to bring the calculation and administration of the exempt capital element of a purchased life annuity into line with self assessment. The relevant regulations, the Income Tax (Purchased Life Annuities) Regulations 2008 (S.I. 2008/562) came into force on 6 April 2008.

7.2 Under the principal regulations both UK and non-UK insurers calculate the exempt element using a standard set of mortality tables as specified in the regulations. They also need to follow new administrative procedures.

7.3 The principal regulations also require non-UK insurers to appoint a UK tax representative to undertake all the various administrative duties required of UK insurers. As an alternative, they can apply to be released from the requirement to appoint a UK tax representative if they declare that they will directly administer these types of annuities in the same way as UK insurers or agree other suitable arrangements with HMRC.

7.4 This order makes a minor change to the principal regulations. It substitutes a new regulation 19(1)(d).

7.5 Regulation 19(1)(d) deals with two concepts in regulation 14(4) and 15 respectively where the appointment of a tax representative is terminated. The new regulation 19(1)(d) introduced by this Order separates out the two concepts. It clarifies that under regulation 19(1)(d), the failure of the non-United Kingdom insurer to nominate another tax representative following the termination of the representative's appointment under regulation 14(4) arises under regulation 14(6). It also clarifies that the failure to nominate another tax representative following the occurrence of one of the events described in regulation 15(1) arises under regulation 15(2).

## **8. Impact**

8.1 A full and final Impact Assessment has not been produced for this instrument as a no impact on private or voluntary sectors is foreseen.

8.2 There will also be no impact on the public sector.

## **9. Contact**

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