
EXPLANATORY NOTE

(This note is not part of the Regulations)

Schedule 18 to the Finance Act 2008 amends Chapter 2 of Part 12 of the Income and Corporation Tax Act 1988 (friendly societies etc) in relation to transfers of business, other than life or endowment business, between friendly societies. The amendments will permit friendly societies to carry on two types of business: business the profits arising from which are exempt from corporation tax and business the profits arising from which are not exempt from corporation tax. These Regulations modify provisions in primary legislation to provide for the apportionment of the income, gains, losses, expenses and capital allowances of the society as a whole between these two types of business and ensure that payments made following a transfer are not treated as qualifying distributions if they would not have been so treated if made by the transferor society.

Regulation 1 provides for citation, commencement and effect. Authority for the Regulations to have effect in relation to transfers taking place on or after 21st July 2008 is contained in section 461D(5)(c) of the Income and Corporation Taxes Act 1988 (which is inserted by paragraph 3(1) of Schedule 18 to the Finance Act 2008).

Regulation 2 sets out the cases where the Regulations apply.

Regulations 3 to 7 modify the Income and Corporation Taxes Act 1988. Regulations 3, 4 and 7 insert provisions providing for the apportionment of income, losses, gains and losses and expenses. Regulations 5 and 6 insert provisions in relation to qualifying distributions.

Regulation 8 modifies the Capital Allowances Act 2001 to insert provisions providing for the apportionment of capital allowances and charges.

A full and final Impact Assessment has not been produced for this instrument as a negligible impact on the private or voluntary sectors is foreseen.