
STATUTORY INSTRUMENTS

2012 No. 3008

**The Friendly Societies (Modifications
of the Tax Acts) Regulations 2012**

Citation, commencement, effect and interpretation

1.—(1) These Regulations may be cited as the Friendly Societies (Modifications of the Tax Acts) Regulations 2012 and shall come into force on 31st December 2012.

(2) These Regulations have effect in relation to accounting periods beginning on or after 1st January 2013.

(3) In these Regulations “FA 2012” means “the Finance Act 2012”.

Friendly societies subject to the same basic rules as mutual insurers

2. The Corporation Tax Acts⁽¹⁾, in so far as they apply to—

- (a) the life assurance business and other long-term business carried on by friendly societies,
- (b) any part of the business of an insurance company which is exempt from corporation tax as a result of section 158 or section 166 (transfers from friendly societies to insurance companies etc) of FA 2012, or
- (c) any part of the business of a friendly society which is exempt from corporation tax as a result of section 167 of FA 2012 (transfers between friendly societies),

have effect with the modifications specified in regulations 3 to 15.

3. In Schedule 7 to the Finance Act 1991, paragraph 16 (transitional relief for old general annuity contracts)⁽²⁾ applies as if in sub-paragraph (7)—

- (a) in the definition of “general annuity contract” after “referable to” there were inserted “taxable”, and
- (b) at the appropriate place there were inserted—

““taxable general annuity business” means general annuity business the profits arising from which do not fall to be exempted from tax by virtue of section 153 (exemption for certain BLAGAB or eligible PHI business) or section 158 (transfers from friendly societies to insurance companies etc) of the Finance Act 2012, and for the purposes of this definition it shall be assumed that the friendly society has made a claim for exemption from tax under section 153 of that Act.”.

4. Section 255 of CAA 2001 (apportionment of allowances and charges)⁽³⁾ applies as if for subsection (1) there were substituted—

“(1) This section applies if the long-term business of the company consists of two or more of—

(1) “The Corporation Tax Acts” is defined in Schedule 1 to the Interpretation Act 1978 (c. 30) as meaning the enactments relating to the taxation of the income and chargeable gains of companies and of company distributions.
(2) 1991 c. 31. Paragraph 16(7) of Schedule 7 has been relevantly amended by paragraph 14(4) of Schedule 10 and Part 2(10) of Schedule 27 to the Finance Act 2007 (c. 11).
(3) 2001 c. 2. Section 255 has been substituted by paragraph 98 of Schedule 16 to the Finance Act 2012.

- (a) basic life assurance and general annuity business,
- (b) non-BLAGAB long-term business, or
- (c) tax exempt business.

(1A) In subsection (1)(c) “tax exempt business” has the same meaning as in section 57A of FA 2012 (section 57: meaning of “tax exempt business”).”.

5. Section 57 of FA 2012 (meaning of basic life assurance and general annuity business) applies as if in subsection (2)—

- (a) the “or” at the end of paragraph (f) were omitted, and
- (b) at the end of paragraph (g) there were inserted—
 - “, or
 - (h) tax exempt business”.

6. After section 57 of FA 2012 (meaning of basic life assurance and general annuity business) there is treated as inserted—

“Section 57: meaning of “tax exempt business”

57A In this Part “tax exempt business” means business in respect of which an insurance company or a friendly society is exempt from corporation tax on its profits by virtue of—

- (a) section 153 (exemption for certain BLAGAB or eligible PHI business),
- (b) section 158 (transfers from friendly societies to insurance companies etc),
- (c) section 164 (societies registered before 1 June 1973, etc),
- (d) section 165 (incorporated friendly societies),
- (e) section 166 (transfers from friendly societies etc),
- (f) section 167 (transfers between friendly societies).”.

7. Section 63 of FA 2012 (meaning of “long-term business” and “PHI business”) applies as if after subsection (2) there were inserted—

“(3) But “PHI business” does not include tax exempt business.”.

8. Section 66 of FA 2012 (separate businesses for BLAGAB and other long-term business) applies as if—

- (a) for subsections (1) to (3) there were substituted—
 - “(1) If an insurance company carries on two or more of—
 - (a) basic life assurance and general annuity business,
 - (b) tax exempt business, or
 - (c) other long-term business

the general rule is that each business within paragraphs (a), (b) and (c) carried on by that company is to be treated for corporation tax purposes as a separate business carried on by that company.

(2) The business within subsection (1)(a) is to consist of the basic life assurance and general annuity business.

(3) The business within subsection (1)(b) is to consist of the tax exempt business.

(3A) The business within subsection (1)(c) is to consist of the other long-term business.”, and

- (b) in subsection (5)(a) for “(3)” there were substituted “(3A)”.

- 9.** Section 67 (exemption where BLAGAB small part of long-term business) applies as if—
- (a) for subsection (3) there were substituted—
 - “(3) There are instead to be two businesses that are to be regarded for corporation tax purposes as consisting of—
 - (a) that basic life assurance and general annuity business and the other long-term business, and
 - (b) tax exempt business.”, and
 - (b) in subsection (4) for “that single trade” there were substituted “the trade in subsection (3) (a)”.
- 10.** Section 97 of FA 2012 (application of Chapter) applies as if for subsection (1) there were substituted—
- “(1) This Chapter applies in the case of an insurance company that carries on basic life assurance and general annuity business and one or both of—
 - (a) tax exempt business, or
 - (b) other long-term business.”.
- 11.** Section 98 of FA 2012 (commercial allocation) applies as if after subsection (2) there were inserted—
- “(2A) But in determining those items, the credits or other income, the debits or other losses and the expenses in relation to tax exempt business are not to be taken into account.”.
- 12.** Section 114 of FA 2012 (application of Chapter) applies as if—
- (a) in subsection (1)—
 - (i) for “, has”, there were substituted “carries on two or more of”,
 - (ii) the “and” at the end of paragraph (a) were omitted, and
 - (iii) after paragraph (a) there were inserted—
 - “(aa) a tax exempt business, and”.
 - (b) in subsection (2)—
 - (i) in paragraph (a) “two” were omitted, and
 - (ii) in paragraph (b) “(a) and (b)” were omitted, and
 - (c) in subsection (5)—
 - (i) the “and” at the end of paragraph (a) were omitted, and
 - (ii) after paragraph (a) there were inserted—
 - “(aa) calculating the profits of the tax exempt business, and”.
- 13.** In section 115 of FA 2012 (commercial allocation of accounting profit or loss and tax adjustments) subsections (1) and (2) apply as if “two” were omitted.
- 14.** Section 172 of FA 2012 (minor definitions) applies as if in subsection (2) after “that Part”, there were inserted—
- “except where the context otherwise requires”.
- 15.** Section 174 of FA 2012 (index of defined terms) applies as if in the table in the second column (“where explained”) in relation to the expression “basic life and general annuity business (abbreviated to “BLAGAB”)” after “section 57” there were inserted “(a) to (g)”.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

Revocation

16. The Regulations specified in the Schedule are revoked.

3rd December 2012

Desmond Swayne
David Evennett
Two of the Lords Commissioners of Her
Majesty's Treasury