



Finance Act 1984

1984 CHAPTER 43

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX ETC.

CHAPTER IV

INSURANCE

72 Withdrawal of life assurance premium relief

- (1) Relief shall not be granted under section 19 of the Taxes Act (premium relief on post-1916 life policies etc.) in respect of premiums payable under any policy issued in respect of an insurance made after 13th March 1984, except where the relief relates to part only of any such payment as falls within paragraph 11 of Schedule 3 to the Finance Act 1978 (part payments to friendly societies).
- (2) A policy which was issued in the course of industrial assurance business, within the meaning of the Industrial Assurance Act 1923 or, as the case may be, the Industrial Assurance (Northern Ireland) Order 1979, and which was so issued in respect of an insurance made after 13th March 1984 shall be treated for the purposes of this section as issued in respect of an insurance made on or before that date if—
 - (a) the proposal form for the policy was completed on or before that date, and
 - (b) on or before 31st March 1984 the policy was prepared for issue by the company or society concerned, and
 - (c) on or before 31st March 1984 and in accordance with the normal business practice of the company or society a permanent record of the preparation of the policy was made in any book or by any other means kept or instituted by the company or society for the purpose.
- (3) For the purposes of subsection (1) above, a policy of life insurance which was issued in respect of an insurance made on or before 13th March 1984 shall be treated as issued

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in respect of an insurance made after that date if the policy is varied after that date so as to increase the benefits secured or to extend the term of the insurance.

- (4) If a policy of life insurance which was issued as mentioned in subsection (3) above confers on the person to whom it was issued an option to have another policy substituted for it or to have any of its terms changed, then, for the purposes of that subsection and subsection (1) above, any change in the terms of the policy which is made in pursuance of the option shall be deemed to be a variation of the policy.
- (5) In subsection (8) of section 7 of the Finance Act 1975 (early surrender or conversion of life policies), after the word " apply " in the second place where it occurs, and in subsection (5) of section 8 of that Act (surrender etc. of policies after four years), after the word " apply ", there shall be inserted—

“(a) to a policy in respect of the premiums on which relief under section 19 of that Act is not available, by virtue of section 72 of the Finance Act 1984 ; or

(b)”.

- (6) In any case where—

- (a) one policy is replaced by another in such circumstances that the provisions of subsection (1) of section 34 of the Finance Act 1982 apply (variation in life or lives assured), and
- (b) the earlier policy was issued in respect of an insurance made on or before 13th March 1984, and
- (c) the later policy confers on the life or lives assured thereby benefits which are substantially equivalent to those which would have been enjoyed by the life or lives assured under the earlier policy, if that policy had continued in force,

then, for the purposes of subsection (1) above, the insurance in respect of which the later policy is issued shall be deemed to have been made before 13th March 1984; and in this subsection " the earlier policy " and " the later policy " have the same meaning as in the said section 34.

- (7) In any case where—

- (a) there is a substitution of policies falling within sub-paragraph (1) or sub-paragraph (3) of paragraph 2 of Schedule 15 to this Act, and
- (b) the old policy was issued in respect of an insurance made on or before 13th March 1984,

then, for the purposes of subsection (1) above, the insurance in respect of which the new policy is issued shall be deemed to have been made before 13th March 1984 ; and in this subsection " the old policy " and " the new policy " have the same meaning as in paragraph 9 of Schedule 1 to the Taxes Act.

- (8) In any case where, before the passing of this Act—

- (a) an individual, in exercise of the right conferred on him by paragraph 5(a) of Schedule 4 to the Finance Act 1976, has deducted an amount from a payment in respect of a premium falling within subsection (1) above, and
- (b) in accordance with paragraphs 4(1) and 5(b) of that Schedule, the Board have made good to the person to whom that payment was made the deficiency arising from that deduction,

then, without prejudice to any other power of the Board to recover sums which have been paid to make good any such deficiency (being a deficiency which would not have arisen if this Act had been in force on the date referred to in subsection (1) above),

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those sums may be recovered by the Board by deduction from any further sums which, after the passing of this Act, fall to be paid to the person concerned in accordance with the said paragraphs 4(1) and 5(b).

- (9) The aggregate of any amounts which, as mentioned in subsection (8)(a) above, an individual has deducted from payments in respect of premiums falling within subsection (1) above may be recovered by the person to whom those payments were made as if it were an additional premium due under the policy on 5th August 1984; but no account shall be taken of that additional premium—
- (a) in determining whether the policy is a qualifying policy within the meaning of Schedule 1 to the Taxes Act; or
 - (b) for the purposes of section 334 of that Act (conditions for tax exempt business); or
 - (c) for the purposes of section 395 of that Act or paragraph 9 of Schedule 2 to the Finance Act 1975 (chargeable events legislation).

73 Insurance business of registered friendly societies

- (1) In relation to registered friendly societies, references to tax exempt life or endowment business, as defined in section 337(3) of the Taxes Act, shall be construed in accordance with subsections (2) and (3) below.
- (2) In so far as the profits of a registered friendly society from life or endowment business relate to contracts made after 13th March 1984, the references in subsections (2) and (3) of section 332 of the Taxes Act (business exempt from income tax and corporation tax) to £500 and £104 (the basic limits for gross sums assured and annuities) shall have effect as references to £750 and £156 respectively.
- (3) Subsection (5) of the said section 332 (which, in the case of certain registered friendly societies, increases the tax exempt limits in subsections (2) and (3) of that section to £2,000 and £416) shall not have effect with respect to sums assured or annuities granted under contracts made after 13th March 1984.
- (4) In consequence of the preceding provisions of this section and subsection (5) below, in section 1 of the Friendly Societies Act (Northern Ireland) 1970 and section 7 of the Friendly Societies Act 1974 (societies which may be registered),—
- (a) paragraph (a) of subsection (3), and
 - (b) subsection (3A),
- shall not have effect with respect to benefits secured by contracts made after 13th March 1984.
- (5) In the following enactments which specify, in relation to tax exempt life or endowment business, maximum benefits which may be provided for members, and persons claiming through members, of registered friendly societies, namely,—
- (a) subsection (1) of section 55 of the Friendly Societies Act (Northern Ireland) 1970; and
 - (b) subsection (1) of section 64 of the Friendly Societies Act 1974,
- in paragraph (a) for " £2,000 " there shall be substituted " £750 " and in paragraph (b) for "£416" there shall be substituted " £156 ".
- (6) The amendments made by subsection (5) above have effect—
- (a) in relation to benefits secured by contracts made after 13th March 1984; and

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- (b) in relation to the aggregate of the benefits secured by contracts made after that day and those secured by contracts made on or before that day.
- (7) If, after 13th March 1984, the committee of a registered society or branch whose rules make provision for it to carry on life or endowment business resolve to accept, in respect of any contract falling within subsection (8) below, premiums of amounts arrived at by deducting 15 per cent, from the premiums provided for by the rules of the society or branch (that is to say by deducting the same amount as, apart from section 72 above, would have been deductible by way of relief under section 19 of the Taxes Act),—
- (a) the resolution shall be deemed to be permitted by the principal Act and the rules of the society or branch; and
 - (b) nothing in the principal Act shall require the registration of the resolution ; and
 - (c) together with the annual return of the society or branch for the year of account ending 31st December 1984, the society or branch shall send a copy of the resolution to the registrar.
- (8) Subsection (7) above applies to any contract entered into by a registered society or branch—
- (a) which is for the assurance under life or endowment business of any gross sum ; and
 - (b) which is entered into pursuant to a proposal received by the society or branch on or before 13th March 1984; and
 - (c) which is one which the society might lawfully have entered into on that date ; and
 - (d) which is entered into after 13th March 1984 and before 1st May 1984.
- (9) In subsection (7) above " the principal Act " means, according to the enactment under which the society or branch is registered,—
- (a) the Friendly Societies Act (Northern Ireland) 1970 ; or
 - (b) the Friendly Societies Act 1974 ;
- and subsections (7) and (8) shall be construed as one with the principal Act.

74 Disqualification of certain life insurance policies

- (1) In section 30 of the Finance Act 1980 (in this section referred to as the " principal section ")—
- (a) in subsection (1) (certain life insurance policies not to be qualifying policies) for the words " the terms of which " there shall be substituted the words " and the terms of either policy " ; and
 - (b) in subsection (3) (definition of " policy " by reference to ordinary long-term insurance business) for the words from " ordinary " to " and " there shall be substituted the words " long term business, as defined in section 1 of the Insurance Companies Act 1982, and " .
- (2) Subsections (6) and (7) of the principal section (commencement) shall have effect in relation to the principal section as amended by subsection (1) above as if for the words " 26th March 1980 ", in each place where they occur, there were substituted the words " 23rd August 1983 " ; but nothing in this subsection affects the operation of the principal section in relation to a policy to which it would have applied apart from subsection (1) above.

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- (3) In any case where payments made—
- (a) after 22nd August 1983, and
 - (b) by way of premium or other consideration in respect of a policy issued in respect of an insurance made before that date,
- exceed £5 in any period, of twelve months, the policy shall be treated for the purposes of the principal section as if it were issued in respect of an insurance made after 22nd August 1983 ; but nothing in that section shall apply with respect to any premium paid in respect of it before that date.
- (4) In subsections (2) and (3) above " policy " means a policy issued in the course of ordinary long-term insurance business as defined in section 96(1) of the Insurance Companies Act 1982 and includes any such policy issued outside the United Kingdom.

75 Life policies: chargeable events

- (1) In section 394 of the Taxes Act (chargeable events in relation to life policies) in subsection (3) (maturity of a policy not a chargeable event in certain cases where a new policy is issued in the exercise of an option conferred by the maturing policy) for the words from " if " to " unless " there shall be substituted the words "if—
- (a) a new policy is issued in consequence of the exercise of an option conferred by the maturing policy, and
 - (b) the whole of the sums becoming payable under the maturing policy are retained by the company with whom the insurance was made and applied in the payment of one or more premiums under the new policy,
- unless the circumstances are such that”.
- (2) Subsection (1) above has effect, and shall be deemed to have had effect, in any case where the option concerned is exercised after 13th March 1984.

76 Insurance policies issued outside the United Kingdom

- (1) After paragraph 1 of Schedule 2 to the Finance Act 1975 (certification of qualifying insurance policies) there shall be inserted the paragraph set out in Part I of Schedule 15 to this Act.
- (2) In connection with the amendment made by subsection (1) above, Schedule 1 to the Taxes Act and Schedule 2 to the Finance Act 1975 shall have effect subject to the modifications set out in Part II of Schedule 15 to this Act.
- (3) In paragraph 9(3)(a) of Schedule 1 to the Taxes Act (circumstances in which a policy substituted for a policy issued outside the United Kingdom may be a qualifying policy) for the words " person in respect of whom the new insurance is made " there shall be substituted the words " policy holder under the new policy ".
- (4) The provisions of Chapter III of Part XIV of the Taxes Act (additional charges to tax on chargeable events in relation to life insurance policies etc.) shall have effect subject to the modifications set out in Part III of Schedule 15 to this Act, being modifications in relation to—
- (a) insurance policies affected by the amendment made by subsection (1) above ; and
 - (b) new offshore capital redemption policies, as defined in subsection (5) below.

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- (5) In subsection (4)(b) above and Part III of Schedule 15 to this Act, a " new offshore capital redemption policy " means a capital redemption policy, as defined in section 393(3) of the Taxes Act, which—
- (a) is issued in respect of an insurance made after 22nd February 1984; and
 - (b) is so issued by a company resident outside the United Kingdom.
- (6) Subsection (3) above applies where the new policy referred to in paragraph 9(2)(c) of Schedule 1 to the Taxes Act is issued after 22nd February 1984.