SCHEDULES

SCHEDULE 7

OVERSEAS LIFE ASSURANCE BUSINESS

6 After Schedule 19 to the Taxes Act 1988 there shall be inserted—

"SCHEDULE 19AA Section 431.

OVERSEAS LIFE ASSURANCE FUND

1 (1) This Schedule shall have effect for determining for the purposes of this Chapter the assets of a company which are the assets of its overseas life assurance fund.

(2) The Treasury may by order amend any of the following provisions of this Schedule.

2 (1) Assets of a company at the end of a period of account which—

(a) were assets of the overseas life assurance fund at the end of the immediately preceding period of account, and

(b) are assets of the long term business fund of the company throughout the period,

shall be assets of the overseas life assurance fund throughout the period.

(2) Where in a period of account assets of a company which were assets of the overseas life assurance fund at the end of the immediately preceding period of account are disposed of by the company, or otherwise cease to be assets of the long term business fund of the company, they shall be assets of the overseas life assurance fund from the beginning of the period until they are disposed of or, as the case may be, they cease to be assets of the long term business fund.

(3) Where—

(a) in any period of account assets are acquired by a company as assets of the long term business fund, or otherwise become assets of that fund,

(b) the assets are disposed of by the company, or otherwise cease to be assets of that fund, later in the same period,

(c) throughout the part of the period during which the assets are assets of the long term business fund they are either—

(i) linked solely to the overseas life assurance business of the company, or

(ii) assets within paragraph 5(5)(c) below, and

(d) it is appropriate having regard to all the circumstances (including a comparison between the relationship of the value of the assets of the overseas life assurance fund and the liabilities of the overseas life assurance business and that of the value of

the assets of the long term business fund and the liabilities of the company's long term business) that they be assets of the overseas life assurance fund,

they shall be assets of the overseas life assurance fund for the part of the period during which they are assets of the long term business fund.

3 (1) Where the value of the assets mentioned in paragraph 2(1) above at the end of the period is less than the amount mentioned in paragraph 4 below (or where there are no assets within paragraph 2(1)), assets which—

(a) are assets of the long term business fund of the company at the end of the period,

(b) have a value at that time equal to the difference (or to that amount), and

(c) are designated in accordance with paragraph 5 below,

shall become assets of the overseas life assurance fund at the relevant time.

(2) In sub-paragraph (1) above "the relevant time" means—

(a) where the asset is not an asset of the long term business fund of the company throughout the period, the time when it became such an asset, and

(b) in any other case, the end of the period.

(3) Where the value of the assets mentioned in paragraph 2(1) above at the end of the period is greater than the amount mentioned in paragraph 4 below, assets which—

(a) are assets of the long term business fund of the company at the end of the period,

(b) have a value at that time equal to the difference, and

(c) are designated in accordance with paragraph 5 below,

shall cease to be assets of the overseas life assurance fund at the end of the period.

4 (1) The amount referred to in paragraph 3 above is the aggregate of—

(a) the liabilities of the company's overseas life assurance business at the end of the period of account, and

(b) the appropriate part of the investment reserve at that time.

(2) In sub-paragraph (1)(b) above the "appropriate part", in relation to the investment reserve, means—

(a) where all of the liabilities of the long term business are linked liabilities, the part of that reserve which bears to the whole the same proportion as the amount of the liabilities of the overseas life assurance business bears to the whole amount of the liabilities of the long term business,

(b) where any of the liabilities of the long term business are not linked liabilities but none (or none but an insignificant proportion) are with-profits liabilities, the part of that reserve which bears to the whole the same proportion as the amount of the liabilities of the overseas life assurance business which are not linked liabilities bears to the whole amount of the liabilities of the long term business which are not linked liabilities, and

(c) in any other case, the part of that reserve which bears to the whole the same proportion as the amount of the with-profits liabilities of the overseas life assurance business bears to the whole amount of the with-profits liabilities of the long term business;

and in this sub-paragraph "linked liabilities" means liabilities in respect of benefits to be determined by reference to the value of linked assets.

5 (1) Any designation of assets required for the purposes of paragraph 3 above shall be made by a company in accordance with the following provisions of this paragraph.

(2) When designating assets for the purposes of paragraph 3(1) above, a company shall not designate an asset falling within any paragraph of sub-paragraph (5) below unless it designates all assets falling within each of the preceding paragraphs of that sub-paragraph.

(3) When designating assets for the purposes of paragraph 3(3) above, a company shall not designate an asset falling within any paragraph of sub-paragraph (5) below unless it designates all assets falling within each of the succeeding paragraphs of that sub-paragraph.

(4) When an asset falls within more than one paragraph of sub-paragraph (5) below, it shall be taken for the purposes of this paragraph to fall only within the first of them.

(5) The categories of assets referred to in sub-paragraphs (2) and (3) above are—

(a) assets linked solely to overseas life assurance business;

(b) so many of any assets denominated in an overseas currency, other than any non-overseas linked assets, as have a value at the end of the period not exceeding the amount of the company's liabilities in respect of benefits expressed in that currency so far as referable to overseas life assurance business;

(c) assets the management of which is under the control of a person whose normal place of work is at a branch or agency at or through which the company carries on overseas life assurance business;

(d) securities issued by the Treasury with a FOTRA condition and securities to which section 581 of this Act applies;

(e) assets not within paragraph (f) below;

(f) shares in companies resident in the United Kingdom;

but assets linked solely to pension business or basic life assurance business are not within any paragraph of this sub-paragraph (and may not be designated for the purposes of paragraph 3 above).

(6) For the purposes of sub-paragraph (5)(b) above assets are "non-overseas linked assets" if they are linked assets and none of the policies or contracts providing for the benefits concerned are policies or contracts the effecting of which constitutes the carrying on of overseas life assurance business.

(7) For the purposes of sub-paragraph (5)(d) above securities are issued with a FOTRA condition if—

(a) they are issued with the condition that the interest on the securities shall not be liable to income tax so long as it is shown, in a manner directed by the Treasury, that the securities are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom, or

(b) they are issued with the condition mentioned in section 22(1) of the Finance (No.2) Act 1931 whether or not modified by virtue of section 60(1) of the Finance Act 1940."