

Status: Point in time view as at 17/07/2012.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1991, SCHEDULE 7. (See end of Document for details)

SCHEDULES

SCHEDULE 7

Section 48.

BASIC LIFE ASSURANCE AND GENERAL ANNUITY BUSINESS

Management expenses

- 1 In section 76 of the Taxes Act 1988 (expenses of management of insurance companies) in subsection (1)—
- (a) in paragraphs (ca) ^{F1} ..., for the words “basic life assurance business” there shall be substituted in each place the words “basic life assurance and general annuity business”;
 - (b) in paragraph (d), the words “general annuity business” shall cease to have effect.

Textual Amendments

- F1** Words in [Sch. 7 para. 1\(a\)](#) repealed (with effect for accounting periods beginning on or after 1.1.2003 except those ending before 9.4.2003 in accordance with [Sch. 33 para. 8\(4\)](#), [Sch. 43 Pt. 3\(12\)](#) Note 6 of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 43 Pt. 3\(12\)](#)

Interpretation of Chapter I of Part XII

^{F2}

Textual Amendments

- F2** [Sch. 7 para. 2](#) repealed (1.5.1995 with effect in accordance with [Sch. 8 para. 57](#) of the amending Act) by [1995 c. 4, s. 162](#), [Sch. 8 para. 57](#), [Sch. 29 Pt. VIII\(5\)](#), Note 2 (with [Sch. 8 para. 55\(2\)](#), [57\(1\)](#))

Apportionment of income and gains

^{F3}

Textual Amendments

- F3** [Sch. 7 para. 3](#) repealed (1.5.1995 with effect in accordance with [Sch. 8 para. 57](#) of the amending Act) by [1995 c. 4, s. 162](#), [Sch. 8 para. 57](#), [Sch. 29 Pt. VIII\(5\)](#) Note 2 (with [Sch. 8 para. 55\(2\)](#), [57\(1\)](#))

Computation of trading profit

- 4 (1) In section 436 of that Act (general annuity business and pension business: separate charge on profits) in subsection (1)—

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- (a) the words “general annuity business or” shall cease to have effect, and
- ^{F4}(b)
- (2) In subsection (3) of that section—
 - (a) in paragraph (c), the words “or general annuity business”, and
 - (b) in paragraph (e), the words “general annuity business or”, shall cease to have effect.
- (3) In subsection (4) of that section, the words “general annuity business or” shall cease to have effect.
- (4) In section 437 of that Act (general annuity business) subsections (2) to (5) shall cease to have effect.

Textual Amendments
F4 Sch. 7 para. 4(1)(b) repealed (with effect in accordance with s. 38 of the amending Act) by Finance Act 2007 (c. 11), Sch. 27 Pt. 2(7)

Deduction for annuities referable to basic life assurance and general annuity business

^{F5}

Textual Amendments
F5 Sch. 7 para. 5 omitted (17.7.2012) by virtue of Finance Act 2012 (c. 14), Sch. 16 para. 247(c)(i)

Transfer of assets between classes of business

^{F6}

Textual Amendments
F6 Sch. 7 para. 6 repealed (1.5.1995 with effect in accordance with Sch. 8 para. 57 of the amending Act) by 1995 c. 4, s. 162, Sch. 8 para. 57, Sch. 29 Pt. VIII(5) Note 2 (with Sch. 8 para. 55(2), 57(1))

United Kingdom branches of overseas life assurance companies

- 7 (1) In section 446 of that Act (computation under section 436 of profits arising to an overseas life assurance company)—
 - ^{F7}(a)
 - (b) subsections (2) and (3), shall cease to have effect.
- ^{F7}(2)
- (3) Subsection (3) of that section (proportion of profits arising from general annuity business for purposes of section 446) shall cease to have effect.
- ^{F7}(4)

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F7(5)

Textual Amendments

F7 Sch. 7 para. 7(1)(a)(2)(4)(5) repealed (27.7.1993 with application as mentioned in s. 103(3)(4) of the amending Act) by 1993 c. 34, ss. 103(3)(4), 213, Sch. 23 Pt.III.

Treatment of tax-free income

8 In section 474 of that Act, in subsection (1)(b) (certain tax-free income to be included in computing profits or loss from pension business and general annuity business) the words “and general annuity business” shall cease to have effect.

Life annuity contracts: taxation of gain on chargeable event

F89

Textual Amendments

F8 Sch. 7 para. 9 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 3 (with Sch. 2)

Computation of offshore income gains

F910

Textual Amendments

F9 Sch. 7 para. 10 repealed (1.5.1995 with effect in accordance with Sch. 8 para. 57 of the amending Act) by 1995 c. 4, s. 162, Sch. 8 para. 55, Sch. 29 Pt. VIII(5) Note 1 (with Sch. 8 para. 55(2), 57(1))

Interpretation of sections 85 to 89 of Finance Act 1989

F1011

Textual Amendments

F10 Sch. 7 para. 11 repealed (with effect for accounting periods beginning on or after 1.1.2003 except those ending before 9.4.2003 in accordance with Sch. 33 para. 8(4), Sch. 43 Pt. 3(12) Note 6 of the amending Act) by Finance Act 2003 (c. 14), Sch. 43 Pt. 3(12)

Miscellaneous receipts

F1112

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Textual Amendments

F11 Sch. 7 para. 12 omitted (17.7.2012) by virtue of Finance Act 2012 (c. 14), **Sch. 16 para. 247(c)(i)**

Spreading of relief for acquisition expenses

13 ^{F12}(1)

^{F13}(2)

(3) In subsection (4) of that section (meaning of “the acquisition of business”) after the word “includes” there shall be inserted “(a)” and at the end there shall be added the words “and

(b) the securing, in an accounting period beginning on or after 1st January 1992, of the payment of increased or additional consideration in respect of an annuity contract already made (whether in an accounting period beginning before, or on or after, that date).”

Textual Amendments

F12 Sch. 7 para. 13(1) repealed (with effect for accounting periods beginning on or after 1.4.2004 in accordance with s. 42 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 42 Pt. 2(3)**

F13 Sch. 7 para. 13(2) repealed (with effect in accordance with Sch. 10 to the amending Act) by Finance Act 2007 (c. 11), **Sch. 27 Pt. 2(10)**

Deemed disposal of unit trusts etc

^{F14}14

Textual Amendments

F14 Sch. 7 para. 14 repealed (6.3.1992 with effect as mentioned in s. 289(1)(2) of the repealing Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290, **Sch. 12** (with s. 201(3), Sch. 11 paras. 20, 22, 26(2), 27)

Exemptions and exclusions from charges by virtue of section 46

^{F15}15

Textual Amendments

F15 Sch. 7 para. 15 repealed (6.3.1992 with effect as mentioned in s. 289(1)(2) of the repealing Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290, **Sch. 12** (with s. 201(3), Sch. 11 paras. 20, 22, 26(2), 27)

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Transitional relief for old general annuity contracts

16 (1) [^{F16}In the [^{F17}application of the I - E rules in relation to an accounting period of an insurance company, an amount equal to the lesser of the following amounts is to be treated (if it is not nil) for the purposes of section 76 of the Finance Act 2012 as a deemed BLAGAB management expense for the accounting period], that is to say—]

- (a) A, and
- (b) $A - (R1 - R2 + C - SV - DB)$,

and if the result of the formula in paragraph (b) above is a negative amount, it shall be taken to be nil.

(2) For the purposes of sub-paragraph (1) above—

A is the gross amount of any annuities paid in the accounting period so far as referable to old annuity contracts;

R1 is the amount of the company's opening liabilities for the accounting period in respect of old annuity contracts [^{F18}but taking that amount as nil if it would otherwise be below nil];

R2 is the amount of the company's closing liabilities for the accounting period in respect of old annuity contracts [^{F18}but taking that amount as nil if it would otherwise be below nil];

C is the amount of any consideration received in the accounting period in respect of old annuity contracts;

SV is the amount of any sums paid in the accounting period by reason of the surrender of rights conferred by old annuity contracts;

DB is the amount of any death benefits paid in the accounting period in respect of old annuity contracts.

^{F19}(3)

^{F19}(4)

(5) If, in the case of an annuity under a group annuity contract made by an insurance company in an accounting period beginning before 1st January 1992—

- (a) the company's liabilities first include an amount in respect of that annuity in an accounting period beginning on or after that date, and
- (b) the company's liability in respect of that annuity is referable to its basic life assurance and general annuity business,

the group annuity contract, so far as relating to that annuity, shall be treated for the purposes of this paragraph, other than this sub-paragraph, as if it had been made in an accounting period beginning on or after 1st January 1992 (and were, accordingly, not an old annuity contract).

(6) If, in the case of an annuity which is subject to a reinsurance treaty made by the reinsurer in an accounting period beginning before 1st January 1992—

- (a) the reinsurer's liabilities first include an amount in respect of that annuity in an accounting period beginning on or after that date, and
- (b) the reinsurer's liability in respect of that annuity is referable to its basic life assurance and general annuity business,

the reinsurance treaty, as respects the reinsurer and so far as relating to that annuity, shall be treated for the purposes of this paragraph, other than this sub-paragraph, as if it had been made in an accounting period beginning on or after 1st January 1992 (and were, accordingly, not an old annuity contract).

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(7) In this paragraph—

“general annuity contract means an annuity contract so far as referable to general annuity business;

“group annuity contract means a contract between an insurance company and some other person under which the company undertakes to become liable to pay annuities to or in respect of such persons as may subsequently be specified or otherwise ascertained under or in accordance with the contract (whether or not annuities under the contract are also payable to or in respect of persons who are specified or ascertained at the time the contract is made);

“old annuity contract means a general annuity contract made by an insurance company in an accounting period beginning before 1st January 1992 [^{F20}(including one forming part of the business transferred to another insurance company by an insurance business transfer scheme)];

“reinsurance treaty means a contract under which one insurance company is obliged to cede, and another (in this paragraph referred to as a “reinsurer”) to accept, the whole or part of a risk of a class or description to which the contract relates;

^{F21} ...

[^{F22}(8) Where—

- (a) business is transferred to an insurance company by an insurance business transfer scheme during an accounting period of the company, and
- (b) the business transferred consists of or includes old annuity contracts (“the transferred contracts”),

the reference in the definition of R1 in sub-paragraph (2) above to the company's opening liabilities for the accounting period is, in relation to the transferred contracts, a reference to the company's liabilities in respect of the transferred contracts immediately after the transfer.]

Textual Amendments

- F16** Words in Sch. 7 para. 16(1) substituted (with effect in relation to accounting periods beginning after 5.3.1997 in accordance with s. 67(7) of the amending Act) by [Finance Act 1997 \(c. 16\), s. 67\(6\)](#)
- F17** Words in Sch. 7 para. 16(1) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\), Sch. 16 para. 71](#)
- F18** Words in Sch. 7 para. 16(2) inserted (with effect for periods of account ending on or after 31.12.2006 (whenever beginning)) by [The Insurance Companies \(Corporation Tax Acts\) \(Amendment\) Order 2007 \(S.I. 2007/1031\), arts. 1, 14\(2\)](#)
- F19** Sch. 7 para. 16(3)(4) repealed (with effect in relation to accounting periods beginning after 5.3.1997) by 1997 c. 16, s. 113, [Sch. 18 Pt. VI\(6\) Note](#)
- F20** Words in Sch. 7 para. 16(7) inserted (with effect in relation to periods of account beginning on or after 1.1.2007) by [Finance Act 2007 \(c. 11\), Sch. 9 para. 13\(2\)](#) (with [Sch. 9 para. 17\(1\)](#))
- F21** Words in Sch. 7 para. 16(7) repealed (with effect in relation to periods of account beginning on or after 1.1.2007) by [Finance Act 2007 \(c. 11\), Sch. 10 para. 14\(4\), Sch. 27 Pt. 2\(10\)](#) (with [Sch. 10 para. 17\(2\)](#))
- F22** Sch. 7 para. 16(8) inserted (with effect in relation to periods of account beginning on or after 1.1.2007) by [Finance Act 2007 \(c. 11\), Sch. 9 para. 13\(3\)](#) (with [Sch. 9 para. 17\(1\)](#))

Modifications etc. (not altering text)

- C1** Sch. 7 para. 16 modified (10.8.1995) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 1992 \(S.I. 1992/1655\), reg. 20A](#) (as inserted by S.I. 1995/1916, [reg. 10](#))

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- C2** Sch. 7 para. 16 modified (with effect for accounting periods beginning on or after 1.1.2005) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 2005 \(S.I. 2005/2014\)](#), regs. 1, **33**
- C3** Sch. 7 para. 16(7) modified (20.3.1997 but with retrospective effect to 1.1.1995) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 1997 \(S.I. 1997/473\)](#), regs. 1(2), **42**

Transitional provisions for chargeable gains and unrelieved general annuity losses

- 17 (1) An insurance company’s unrelieved general annuity losses shall be relieved under this paragraph by setting them against the relevant part of any chargeable gains arising to the company in accounting periods beginning on or after 1st January 1992.
- (2) Any relief under this paragraph shall be given as far as possible for the first accounting period of the company beginning on or after 1st January 1992 and, so far as it cannot be so given, for the next accounting period, and so on.
- (3) For the purposes of this paragraph an insurance company’s “unrelieved general annuity losses are so much of any losses—
- (a) arising from the company’s general annuity business in an accounting period or year of assessment beginning before 1st January 1992, and
 - (b) computed as mentioned in paragraph (c) of subsection (3) of section 436 of the Taxes Act 1988 as it applied in relation to such accounting periods,
- as, by virtue only of an insufficiency of profits, cannot be relieved under that subsection (or any previous enactment which it re-enacts) by setting them off against the profits of such an accounting period or year of assessment.
- (4) For the purposes of this paragraph the relevant part of the chargeable gains arising to a company in an accounting period [^{F23}is so much of the chargeable gains arising to the company in the accounting period as are referable to its basic life assurance and general annuity business.]

^{F24}(4A)

^{F24}(5)

Textual Amendments

- F23** Words in [Sch. 7 para. 17\(4\)](#) substituted (with effect in relation to periods of account beginning on or after 1.1.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 15\(4\)\(a\)](#) (with [Sch. 10 para. 17\(2\)](#))
- F24** [Sch. 7 para. 17\(4A\)\(5\)](#) repealed (with effect in relation to periods of account beginning on or after 1.1.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 15\(4\)\(b\)](#), [Sch. 27 Pt. 2\(10\)](#) (with [Sch. 10 para. 17\(2\)](#))

Application of this Schedule

- 18 Paragraphs 1, 3, 4, 5, 6(1) and (2), 7, 8, 10 to 14, 16 and 17 above have effect with respect only to accounting periods beginning on or after 1st January 1992.

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