



# Finance Act 2003

## 2003 CHAPTER 14

### PART 7

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX: GENERAL

##### *Life insurance and pensions*

#### **170 Insurance companies**

Schedule 33 to this Act (which makes provision about the taxation of insurance companies, including companies which have ceased to be insurance companies after a transfer of business) has effect.

#### **171 Policies of life insurance etc: miscellaneous amendments**

(1) Schedule 34 to this Act (which makes provision relating to Chapter 2 of Part 13 of the Taxes Act 1988) has effect.

(2) In that Schedule—

Part 1 relates to group life policies;

Part 2 relates to charitable and non-charitable trusts;

Part 3 restricts the meaning of “life annuity”; and

Part 4 makes provision for and in connection with the repeal of section 540(2) of the Taxes Act 1988 (rollover of gain on maturity into new policy).

(3) This section and that Schedule shall be deemed to have come into force on 9th April 2003.

#### **172 Charges under life insurance policies for exceptional risk of disability**

(1) In Schedule 15 to the Taxes Act 1988 (provisions for determining whether an insurance policy is a “qualifying policy”)—

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*Status: This is the original version (as it was originally enacted).*

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- (a) in paragraph 12(a) (disregard of so much of premium as is charged on the grounds of exceptional risk of death), and
  - (b) in paragraph 12(b) (disregard of provision in policy charging, on those grounds, a sum as a debt against capital sum guaranteed on death),
- after “death” insert “or disability”.
- (2) Accordingly, in the heading before paragraph 12 of that Schedule, for “mortality risk” substitute “risk of death or disability”.
  - (3) In paragraph 3 of that Schedule (friendly society policies), omit paragraphs (b)(iii) and (c) of sub-paragraph (8) (which make provision corresponding to paragraph 12(a) and (b) but are unnecessary).
  - (4) In paragraph 18 of that Schedule (rules about substituted policies applied where policies are varied) insert after sub-paragraph (3)—
    - “(4) For the purposes of this paragraph there is no variation in the terms of a policy where—
      - (a) an amount of premium chargeable on the grounds that an exceptional risk of death or disability is involved becomes or ceases to be payable, or
      - (b) the policy is amended by the insertion, variation or removal of a provision under which, on those grounds, any sum may become chargeable as a debt against the capital sum guaranteed by the policy on death or disability.”.
  - (5) In section 460 of that Act (registered friendly societies: exemption from tax in respect of life or endowment business), in subsection (3)(b) (which makes provision corresponding to paragraph 12(a) of Schedule 15) after “death” insert “or disability”.
  - (6) The amendments made by this section shall be deemed always to have had effect; but this section shall be disregarded to the extent that it would prevent a policy from being a qualifying policy at any time before 9th April 2003.

### **173 Gains on policies of life insurance etc: rate of tax**

- (1) Schedule 35 to this Act (which makes provision for and in connection with charging certain gains on policies of life insurance etc at the lower rate) has effect.
- (2) The amendments made by that Schedule have effect in relation to gains treated as arising under Chapter 2 of Part 13 of the Taxes Act 1988 on the happening of chargeable events on or after 6th April 2004.

### **174 Personal pension arrangements: limit on contributions**

- (1) In section 640A(1) of the Taxes Act 1988 (personal pension arrangements: the earnings cap), for “for the purposes of section 640 above” substitute “for the purposes of section 638 or 640 above”.
- (2) In determining “the permitted maximum” for the purposes of any provision of an existing approved scheme designed to meet the requirements of section 638(3) of that Act (maximum annual amount of contributions), a member’s net relevant earnings for the year shall be taken to be the amount of his net relevant earnings after applying section 640A (the earnings cap).

An “existing approved scheme” means a personal pension scheme approved under Chapter 4 of Part 14 of that Act before 9th April 2003.

- (3) In section 641A(1) of that Act (election for contributions to be treated as paid in previous year), for “A person who pays a contribution under approved personal pension arrangements” substitute “An individual who under approved personal pension arrangements made by him pays a contribution”.
- (4) This section has effect in relation to contributions paid on or after 9th April 2003.