
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2005, Paragraph 2. (See end of Document for details)

SCHEDULES

SCHEDULE 2

EMPLOYEE SECURITIES: ANTI-AVOIDANCE

Rights under certain insurance contracts to be securities

- 2 (1) Section 420 (income and exemptions relating to securities: meaning of “securities” etc.) is amended as follows.
- (2) In subsection (1), after paragraph (a) insert—
- “(aa) rights under contracts of insurance other than excluded contracts of insurance,”.
- (3) In paragraph (b) of that subsection, insert at the end “ (other than contracts of insurance) ”.
- (4) In paragraph (g) of that subsection, insert at the end “ (other than contracts of insurance) ”.
- (5) After that subsection insert—
- “(1A) For the purposes of subsection (1)(aa) a contract of insurance is an excluded contract of insurance if it is—
- (a) a contract for an annuity which is (or will be) pension income (see Part 9),
- (b) a contract of long-term insurance, other than an annuity contract, which does not have a surrender value and is not capable of acquiring one (whether on conversion or in any other circumstances), or
- (c) a contract of general insurance other than one which falls, in accordance with generally accepted accounting practice, to be accounted for as a financial asset or liability.
- (1B) In this section—
- “contract of insurance”,
- “contract of long-term insurance”, and
- “contract of general insurance”,
- have the same meaning as in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.”
- (6) In subsection (5)—
- (a) at the end of paragraph (c) insert “ and ”, and
- (b) omit paragraph (d) (exclusion of insurance contracts).
- (7) In Part 2 of Schedule 1 (index of defined expressions), insert at the appropriate place—

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“generally accepted accounting practice	Section 832(1) of ICTA”
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- (8) This paragraph has effect on and after 2nd December 2004 and applies in relation to rights under contracts of insurance acquired before that date, as well as those acquired on or after that date; and—
- (a) for the purposes of the application of Chapter 3B of Part 7 of ITEPA 2003 (securities with artificially enhanced market value) by reason of this paragraph in relation to rights under contracts of insurance acquired before that date, section 446O of that Act (meaning of “relevant period”) has effect as if they were acquired on that date, and
 - (b) for the purposes of section 420(1A)(c) of ITEPA 2003, section 50 of FA 2004 (meaning of “generally accepted accounting practice”) has effect on and after that date, in spite of subsection (6) of that section.

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