



# Finance Act 2012

## 2012 CHAPTER 14

### PART 1

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

### CHAPTER 2

#### INCOME TAX: GENERAL

#### *Anti-avoidance*

#### **11 Gains from contracts for life insurance etc**

- (1) In Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc), after section 473 insert—

#### **“473A Connected policies or contracts treated as single policy or contract**

- (1) Policies or contracts which are connected with each other are treated as a single policy or contract for the purposes of this Chapter.
- (2) A policy or contract is “connected” with another policy or contract if—
- they meet the condition in subsection (3) in relation to each other, and
  - the terms on which either of them is issued are significantly more or less favourable than would reasonably be expected if the other were ignored or any policy or contract meeting the condition in that subsection in relation to either of them were ignored.
- (3) A policy or contract meets the condition in this subsection in relation to another policy or contract if—
- they are at any time simultaneously in force, and

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*Status: This is the original version (as it was originally enacted).*

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- (b) either of them is issued with reference to the other or with a view to enabling the other to be issued on particular terms or facilitating its being issued on those terms.
- (4) If—
- (a) there is a policy or contract (“A”) with which two or more other policies or contracts are connected as a result of subsection (2), but
  - (b) the other policies or contracts are not connected with each other as a result of that subsection,
- A and the other policies or contracts are (as a result of this subsection) to be regarded as “connected” with each other.”
- (2) In section 491(2) of that Act (calculating gains from contracts for life insurance etc: general rules), in the definition of “PG”, at the end insert “but only in so far as those gains have been, or fall to be, taken into account in calculating the total income of a person as a result of this Chapter or Chapter 2 of Part 13 of ITA 2007”.
- (3) In section 552 of ICTA (information: duty of insurers), for subsection (13) substitute—
- “(13) For the purposes of this section—
- (a) section 491(2) of ITTOIA 2005 is taken to have effect as if, in the definition of “PG”, the words from “but” to the end were omitted, and
  - (b) no account is to be taken of the effect of section 541A of that Act.”
- (4) The amendments made by this section have effect in relation to—
- (a) any policy issued in respect of an insurance made on or after 21 March 2012, or
  - (b) any contract made on or after that date.
- (5) The amendments made by this section also have effect in the case of any insurance or contract made before 21 March 2012 if on or after that date—
- (a) the policy or contract is varied with the result that there is an increase in the benefits secured,
  - (b) there is an assignment of rights, or a share of the rights, conferred by the policy or contract (whether or not for money’s worth), or
  - (c) some or all of the rights conferred by the policy or contract become held as security for a debt.
- (6) For the purposes of subsection (5)(a)—
- (a) an exercise of rights conferred by a policy or contract is to count as a variation of the policy or contract, and
  - (b) the reference to an increase in the benefits secured by a policy or contract includes an increase in the benefits secured by another policy or contract with which the policy or contract is connected (within the meaning given by section 473A of ITTOIA 2005, as inserted by subsection (1)).