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STATUTORY INSTRUMENTS

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**1995 No. 1916**

**The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 1995**

**Amendments to the principal Regulations**

4. After regulation 3 there shall be inserted the following regulations—

**“Modifications of section 72 of the Finance Act 1960**

**3A.**—(1) Paragraphs (2) and (3) prescribe modifications of section 72 of the Finance Act 1960(1) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 4th May 1966 but before 6th April 1970.

(2) In subsection (2) for the words following “foregoing subsection” there shall be substituted the words “is machinery or plant provided for use or used for the purposes of the management of the taxable life or endowment business of a friendly society”.

(3) After subsection (2) there shall be inserted—

“(2A) in subsection (2) of this section “taxable life or endowment business” means life or endowment business (construed in accordance with section 29(8) of the Finance Act 1966(2) which is not exempt from corporation tax by virtue of section 440(1) of the Income Tax Act 1952(3).”.

**Modifications of section 69 of the Finance Act 1965**

**3B.**—(1) Paragraphs (2) to (4) prescribe modifications of section 69 of the Finance Act 1965(4) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 4th May 1966 but before 6th April 1970.

(2) In subsection (1)—

(a) The following paragraph shall be inserted before paragraph (a)—

“(za) the amount treated as expenses of management shall be restricted to expenses referable to life or endowment business (construed in accordance with section 29(8) of the Finance Act 1966) which is not exempt from corporation tax by virtue of section 440(1) of the Income Tax Act 1952;”;

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- (1) 1960 c. 44; section 72 was amended by paragraph 18 of Schedule 12 and Part I of Schedule 13 to the Finance Act 1963 (c. 25) and by section 57(5) of, and paragraph 15 of Schedule 14 and Part IV of Schedule 22 to, the Finance Act 1965 (c. 25), and repealed by Schedule 16 to the Income and Corporation Taxes Act 1970 (c. 10).
- (2) 1966 c. 18; section 29(8) was repealed by Schedule 16 to the Income and Corporation Taxes Act 1970.
- (3) 1952 c. 10; section 440(1) was amended by Part I of Schedule 13 to the Finance Act 1963, by paragraph 4(1)(a) of Schedule 15 to the Finance Act 1965 and by Part III of Schedule 13 to the Finance Act 1966, and repealed by Schedule 16 to the Income and Corporation Taxes Act 1970.
- (4) 1965 c. 25; section 69 was amended by paragraph 9 of Schedule 5 and Part VI of Schedule 11 to the Finance Act 1966 and by paragraph 1 of Schedule 13 to the Finance Act 1967 (c. 54), and repealed by Schedule 16 to the Income and Corporation Taxes Act 1970.

(b) in paragraph (a) after the words “expenses of management” there shall be inserted the words “(as so restricted)”.

(3) In paragraph (b) of subsection (3) for the words “that business” there shall be substituted the words “taxable general annuity business”.

(4) After subsection (9) there shall be added—

“(10) In subsection (3)(b) above “taxable general annuity business” means general annuity business other than general annuity business the profits arising from which are exempt from tax by virtue of section 440(1) of the Income Tax Act 1952.”.

### **Modifications of section 305 (1) of the Income and Corporation Taxes Act 1970**

**3C.**—(1) Paragraphs (2) and (3) prescribe modifications of section 305(1) of the Income and Corporation Taxes Act 1970<sup>(5)</sup> so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1970 but before 6th April 1988.

(2) The following paragraph shall be inserted before paragraph (a)—

“(za) the amount treated as expenses of management shall be restricted to expenses referable to life or endowment business (construed in accordance with section 337(2)<sup>(6)</sup> below) which is not exempt from corporation tax by virtue of section 332(1) below;”.

(3) in paragraph (a) after the words “expenses of management” there shall be inserted the words “(as so restricted)”.

### **Modifications of section 306 of the Income and Corporation Taxes Act 1970**

**3D.**—(1) Paragraphs (2) and (3) prescribe modifications of section 306 of the Income and Corporation Taxes Act 1970<sup>(7)</sup> so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1970 but before 6th April 1988.

(2) In subsection (1) for the words from “of the business” to “of life assurance,” there shall be substituted the words “of the taxable life or endowment business of a friendly society”.

(3) After subsection (1) there shall be inserted—

“(1A) In subsection (1) above “taxable life or endowment business” means life or endowment business (construed in accordance with section 337(2) below) which is not exempt from corporation tax by virtue of section 332(1) below.”.

**3E.**—(1) Paragraphs (2) and (3) prescribe modifications of section 306 of the Income and Corporation Taxes Act 1970 so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1988 but before 6th April 1990.

(2) In subsection (1) for the words from “of the business” to “of life assurance,” there shall be substituted the words “of the taxable life or endowment business of a friendly society”.

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(5) 1970 c. 10; section 305 was amended by paragraph 1(1) of Schedule 18 and Part VI of Schedule 28 to the Finance Act 1972 (c. 41), and repealed by Schedule 31 to the Income and Corporation Taxes Act 1988.

(6) Section 337(2) was amended by paragraph 23 of Schedule 9 to the Friendly Societies Act 1974 (c. 46), section 41(7) of the Finance Act 1985 (c. 54), and paragraph 2(2) of Schedule 2 and Part I of Schedule 9 to the Finance (No. 2) Act 1987 (c. 51), and repealed by Schedule 31 to the Income and Corporation Taxes Act 1988.

(7) Section 306 was repealed by Schedule 2 to the Capital Allowances Act 1990 (c. 1).

(3) After subsection (1) there shall be inserted—

“(1A) In subsection (1) above “taxable life or endowment business” means life or endowment business (construed in accordance with section 466(1) of the Taxes Act 1988<sup>(8)</sup>) which is not exempt from corporation tax by virtue of section 460 (1) of that Act<sup>(9)</sup>”

### **Modifications of section 313 of the Income and Corporation Taxes Act 1970**

**3F.**—(1) Paragraphs (2) and (3) prescribe modifications of section 313 of the Income and Corporation Taxes Act 1970<sup>(10)</sup> so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1970 but before 6th April 1988.

(2) In subsection (1) for the words “that business” there shall be substituted the words “taxable general annuity business”.

(3) After subsection (6) there shall be added—

“(7) In subsection (1) above “taxable general annuity business” means general annuity business other than general annuity business the profits arising from which are exempt from tax by virtue of section 332(1) below.”.

### **Modification of section 75 (3) of the Taxes Act**

**3G.**—(1) Paragraph (2) prescribes a modification of subsection (3) of section 75 of the Taxes Act so far as it applies in designated cases to the life or endowment business carried on by friendly societies where an excess such as is mentioned in that subsection arises for an accounting period beginning on or after 1st January 1990.

(2) In paragraph (b), after the words “expenses of management” there shall be inserted the words “referable to business chargeable to corporation tax”.

(3) In paragraph (1) “designated cases” means all cases where—

- (a) expenses of management have been disbursed in the accounting period,
- (b) some of those expenses, when disbursed, were referable to business exempt from corporation tax by virtue of section 460(1) of the Taxes Act, and
- (c) in relation to the accounting period the case was not a specified case.

### **Modifications of section 76 (1) of the Taxes Act**

**3H.**—(1) Paragraphs (2) and (3) prescribe modifications of section 76(1)<sup>(11)</sup> of the Taxes Act so far as it applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 6th April 1988 but beginning before 1st January 1990.

(2) The following paragraph shall be inserted before paragraph (a)—

“(za) the amount treated as expenses of management shall be restricted to expenses referable to life or endowment business (construed in accordance with section 466(1)) which is not exempt from corporation tax by virtue of section 460(1);”.

<sup>(8)</sup> Section 466(1) was amended by paragraph 14(2) of Schedule 9 to the Finance (No. 2) Act 1992.

<sup>(9)</sup> Section 460(1) was amended by paragraph 5(2) of Schedule 9 to the Finance (No. 2) Act 1992.

<sup>(10)</sup> Section 313 was amended by paragraph 3 of Schedule 18 to the Finance Act 1972, paragraph 9(2) of Schedule 6 and paragraph 7(2) of Schedule 7 to the Finance Act 1974 (c. 30), section 99(2) of the Finance Act 1984 (c. 43) and paragraph 7 of Schedule 25 to the Finance Act 1985, and repealed by Schedule 31 to the Income and Corporation Tax Act 1988.

<sup>(11)</sup> Section 76(1) was amended by section 87(2) of the Finance Act 1989 (c. 26) and section 44(3) of and paragraph 1 of Schedule 7 to the Finance Act 1990 with respect to accounting periods beginning on or after 1st January 1990.

(3) In paragraph (a) after the words “expenses of management” there shall be inserted the words “(as so restricted)”.

**3I.**—(1) Paragraphs (2) and (3) prescribe modifications of subsection (1) of section 76 of the Taxes Act so far as it applies to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1990 but before 1st January 1992.

(2) In paragraph (ca) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance business”.

(3) In paragraph (e) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance business”.

**3J.**—(1) Paragraph (2) prescribes a modification of subsection (1) of section 76 of the Taxes Act so far as it applies in specified cases to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1990 but before 1st January 1992.

(2) In paragraph (d) after the words “referable to” there shall be inserted the words “tax exempt basic life assurance business”.

**3K.**—(1) Paragraphs (2) and (3) prescribe modifications of subsection (1) of section 76 of the Taxes Act(12) so far as it applies to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1992.

(2) In paragraph (ca) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance and general annuity business”.

(3) In paragraph (e) for the words from “referable” to the end there shall be substituted the words “referable to taxable basic life assurance and general annuity business”.

**3L.**—(1) Paragraph (2) prescribes a modification of subsection (1) of section 76 of the Taxes Act so far as it applies in specified cases to the life or endowment business carried on by friendly societies for accounting periods beginning on or after 1st January 1992.

(2) In paragraph (d) after the words “referable to” there shall be inserted the words “tax exempt basic life assurance and general annuity business”.

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(12) Section 76(1) was amended by section 87(2) of the Finance Act 1989, section 44(3) of and paragraph 1 of Schedule 7 to the Finance Act 1990 and paragraph 1 of Schedule 7 and Part V of Schedule 19 to the Finance Act 1991 (c. 31) with respect to accounting periods beginning on or after 1st January 1992, and by paragraph 7 of Schedule 8 to the Finance Act 1995 (c. 4) with respect to accounting periods beginning on or after 1st January 1995.