
STATUTORY INSTRUMENTS

1996 No. 1180

INCOME TAX

The Insurance Companies (Gilt-edged Securities) (Periodic Accounting for Tax on Interest) (Amendment) Regulations 1996

<i>Made</i>	- - - -	<i>29th April 1996</i>
<i>Laid before the House of Commons</i>	- - - -	<i>30th April 1996</i>
<i>Coming into force</i>	- -	<i>21st May 1996</i>

The Treasury, in exercise of the powers conferred on them by section 51B(1) to (4) of the Income and Corporation Taxes Act 1988(1) and paragraph 4 of Schedule 6 to the Finance Act 1996(2), hereby make the following Regulations:

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Insurance Companies (Gilt-edged Securities) (Periodic Accounting for Tax on Interest) (Amendment) Regulations 1996 and shall come into force on 21st May 1996.

(2) Regulation 3 has effect in relation to all payments of interest on relevant gilt-edged securities made without deduction of tax on or after 6th April 1996.

(3) Regulation 4 has effect in relation to accounting periods ending on or after the day on which these Regulations come into force.

Interpretation

2. In these Regulations “the principal Regulations” means the Insurance Companies (Gilt-edged Securities) (Periodic Accounting for Tax on Interest) Regulations 1995(3), and “regulation” means a regulation of those Regulations.

(1) 1988 c. 1; section 51B was inserted by section 78(1) of the Finance Act 1995 (c. 4) and amended by paragraph 4(1) of Schedule 6 to the Finance Act 1996 (c. 8).
(2) 1996 c. 8.
(3) S.I. 1995/3223.

Amendments to the principal Regulations

3.—(1) Regulation 6 (which inserts paragraph 1A in Schedule 19AB of the Income and Corporation Taxes Act 1988⁽⁴⁾) shall be amended as follows.

(2) In sub-paragraph (12) of the inserted paragraph 1A, for the words “Where the basic rate” there shall be substituted the words “Subject to sub-paragraph (12A) below, where the lower rate”.

(3) After sub-paragraph (12) of the inserted paragraph 1A there shall be inserted the following sub-paragraph—

“(12A) In the case of a provisional repayment period which begins before but includes 6th April 1996, the amount equal to the tax on the appropriate portion of the amount of excess gilt interest received mentioned in sub-paragraph (1) above shall be ascertained after considering each of the amounts A, B and C specified in sub-paragraph (11) above separately for the period before 6th April 1996 and for the period after 5th April 1996.”

4.—(1) Regulation 7 shall be amended as follows.

(2) For paragraph (4) there shall be substituted the following paragraph—

“(4) In sub-paragraph (3), at the beginning, there shall be inserted the words “In the case of provisional repayments,”.”

(3) In paragraph (5), in the inserted sub-paragraph (3A), for the words from the beginning to “is entitled” there shall be substituted the words “In the case of notional repayments, the amount referred to in sub-paragraph (2) above”.

5. In regulation 8, for paragraph (3) there shall be substituted the following paragraph—

“(3) After sub-paragraph (2) there shall be inserted the following sub-paragraph—

“(2A) In sub-paragraph (1) above “the relevant final amount” means the amount of tax which the company would have been entitled to be paid in respect of income tax borne by deduction on the amount of manufactured gilt interest received and the amount of real gilt interest received referable to its pension business if these amounts had been paid under deduction of tax when the assessment to corporation tax for that accounting period is finally determined or when effect is given to a claim such as is mentioned in section 7(6) made in respect of that accounting period.””

Simon Burns

Liam Fox

Two of the Lords Commissioners of Her Majesty’s Treasury

29th April 1996

(4) 1988 c. 1; Schedule 19AB was inserted by Schedule 8 to the Finance Act 1991 (c. 31), and amended by section 103(2) (h) of, and Part III(9) of Schedule 23 to, the Finance Act 1993 (c. 34), by paragraph 12(1)(b) of Schedule 8 to the Finance Act 1995 and by Part I of Schedule 34 to the Finance Act 1996.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Insurance Companies (Gilt-edged Securities) (Periodic Accounting for Tax on Interest) Regulations 1995 (S.I.1995/3223) (“the principal Regulations”) to take account of provisions in the Finance Act 1996 (c. 8). They also make amendments of a drafting nature to the principal Regulations.

Regulation 3 amends regulation 6 of the principal Regulations to take account of an amendment made to section 51B of the Income and Corporation Taxes Act 1988 by paragraph 4 of Schedule 6 to the Finance Act 1996 which provides for interest to be charged to tax at the lower rate instead of at the basic rate in relation to the year 1996-97 and subsequent years of assessment. This regulation has effect in relation to all payments of interest on relevant gilt-edged securities made without deduction of tax on or after 6th April 1996; and specific additional provision has been made for the case of a provisional repayment period which begins before, but includes, 6th April 1996. Authority for the retrospective effect of this Regulation is given by paragraph 4(2) of Schedule 6 to the Finance Act 1996.

Regulation 4 makes amendments of a drafting nature to regulation 7 of the principal Regulations.

Regulation 5 amends regulation 8(3) of the principal Regulations to take account of amendments made to Schedule 19AB to the Income and Corporation Taxes Act 1988 by Schedule 34 to the Finance Act 1996.