
STATUTORY INSTRUMENTS

1996 No. 1621

INCOME TAX

The Insurance Companies (Taxation of Reinsurance Business) (Amendment) Regulations 1996

<i>Made</i>	- - - -	<i>24th June 1996</i>
<i>Laid before the House of Commons</i>	- - - -	<i>24th June 1996</i>
<i>Coming into force</i>	- -	<i>15th July 1996</i>

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by sections 431C and 442A(2), (3), (5) and (6) of the Income and Corporation Taxes Act 1988⁽¹⁾, and paragraph 58 of Schedule 8 to the Finance Act 1995⁽²⁾, hereby make the following Regulations:

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Insurance Companies (Taxation of Reinsurance Business) (Amendment) Regulations 1996 and shall come into force on 15th July 1996.

(2) Regulations 3, 4 and 5(b) shall have effect with respect to accounting periods beginning on or after 1st January 1995.

(3) Regulation 5(a) shall have effect with respect to accounting periods ending on or after 15th July 1996.

Interpretation

2. In these Regulations “the principal Regulations” means the Insurance Companies (Taxation of Reinsurance Business) Regulations 1995⁽³⁾, and “regulation” means a regulation of the principal Regulations.

Amendments to the principal Regulations

3. In regulation 3 for the words from “C is” to “Taxes Act” there shall be substituted—
“C is the aggregate of—

(1) 1988 c. 1; section 431C was inserted by paragraph 2, and section 442A was inserted by paragraph 34, of Schedule 8 to the Finance Act 1995 (c. 4).
(2) 1995 c. 4.
(3) S.I. 1995/1730.

- (a) so much of any amount payable by the reinsurer to the cedant company during that accounting period as a result of the death, illness, or infirmity of, or accident to, any person as does not exceed the amount which would have been paid by the reinsurer if the policy had been surrendered immediately before the death, illness, or infirmity of, or accident to, that person, and
 - (b) other amounts paid by the reinsurer to the cedant company during that accounting period, being sums paid by way of commission or as a result of the surrender in whole or in part of the rights under the policy or otherwise, but excluding any sum which forms part of the relevant profits of the cedant company or is paid by way of commission that has been deducted from expenses of management pursuant to section 76(1) (ca) of the Taxes Act⁽⁴⁾.”
4. In regulation 5—
- (a) in paragraph (1) for the words “at the rate prescribed” there shall be substituted “at the appropriate rate or rates prescribed”;
 - (b) for paragraph (2) there shall be substituted the following paragraph—
 - “(2) The rates prescribed by this paragraph are—
 - (a) as respects an accounting period ending before the financial year 1996, the rate applicable in accordance with section 88(1) of the Finance Act 1989⁽⁵⁾;
 - (b) as respects an accounting period commencing in or after the financial year 1996, the rate applicable in accordance with section 88A(1) of the Finance Act 1989⁽⁶⁾;
 - (c) as respects an accounting period part of which falls in the financial year 1995 (“the 1995 part”) and part in the financial year 1996 (“the 1996 part”), the rate applicable in accordance with section 88(1) of the Finance Act 1989 in relation to the proportion of the amount of the investment return attributable to the 1995 part, and the rate applicable in accordance with section 88A(1) of that Act in relation to the proportion of the amount of the investment return attributable to the 1996 part.”
5. In regulation 11—
- (a) in paragraphs (b) and (c)(ii) after the words “Taxes Act”, in both places where those words occur, there shall be added “, being business for which the policy or contract concerned was made on or after 1st November 1994”;
 - (b) after paragraph (c) there shall be added
 - “or
 - (d) the business is business the contract for which—
 - (i) was effected by a company resident in the United Kingdom at or through a branch or agency outside the United Kingdom where none, or no significant part, of the reinsurance business carried on relates to life assurance business with policy holders or annuitants residing in the United Kingdom, and
 - (ii) was made before 1st November 1994.”

(4) Paragraph (ca) of section 76(1) was inserted by section 44(3) of the Finance Act 1990 (c. 29).

(5) Section 88(1) was amended by section 45(1) of the Finance Act 1990 and paragraph 26(1) of Schedule 6 to the Finance Act 1996 (c. 8).

(6) Section 88A was inserted by paragraph 26(2) of Schedule 6 to the Finance Act 1996.

24th June 1996

S C T Matheson
C W Corlett
Two of the Commissioners of Inland Revenue

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Insurance Companies (Taxation of Reinsurance Business) Regulations 1995 (S.I. 1995/1730) (“the principal Regulations”).

Regulation 1 provides for citation, commencement and effect, and regulation 2 for interpretation.

Regulation 3 amends, with effect for accounting periods beginning on or after 1st January 1995, regulation 3 of the principal Regulations (calculation of investment return accruing to an insurance company on a reinsurance arrangement which is confined to a single accounting period) by excluding from the calculation payments by the reinsurer to the cedant company that reflect the mortality gain on the policy concerned.

Regulation 4 amends, with effect for accounting periods beginning on or after 1st January 1995, regulation 5 of the principal Regulations (calculation of investment return in the second and subsequent accounting periods of the reinsurance arrangement other than the final accounting period) by providing that the net investment return in previous accounting periods shall be calculated by reference to tax at the basic rate in relation to accounting periods up to and including the financial year 1995, and at the lower rate in relation to accounting periods falling within the financial year 1996 and subsequent financial years.

Regulation 5(a) amends, with effect for accounting periods ending on or after the coming into force of these Regulations, regulation 11 of the principal Regulations so as to make clear that overseas life assurance business within section 431D(1)(b) of the Income and Corporation Taxes Act 1988 (reinsurance business) is excluded from section 431C of that Act (meaning of “life reinsurance business”) only where the policy or contract for the business was made on or after 1st November 1994. (Sections 431C and 431D of the 1988 Act were inserted by paragraph 2 of Schedule 8 to the Finance Act 1995 and, by virtue of paragraph 55(2) of that Schedule, the Schedule has effect, for the purpose of determining whether life assurance business is overseas life assurance business, where the policy or contract for the business is made on or after 1st November 1994.)

Regulation 5(b) amends, with effect for accounting periods beginning on or after 1st January 1995, regulation 11 of the principal Regulations so as to provide that reinsurance business the contract for which was made before 1st November 1994 and which was treated by section 431(2) of the 1988 Act (prior to the changes made by the Finance Act 1995) as overseas life assurance business is excluded from section 431C of the 1988 Act.

Authority for the retrospective effect of these Regulations is given by paragraph 58 of Schedule 8 to the Finance Act 1995.