
STATUTORY INSTRUMENTS

2001 No. 3974

INCOME TAX

The Individual Savings Account (Insurance Companies) (Amendment) Regulations 2001

Made - - - - *11th December 2001*
Laid before the House of
Commons - - - - *11th December 2001*
Coming into force - - *1st January 2002*

The Treasury, in exercise of the powers conferred on them by section 333B of the Income and Corporation Taxes Act 1988(1) and section 87(3) and (4) of the Finance Act 2001, hereby make the following Regulations:

Citation, commencement and effect

1. These Regulations may be cited as the Individual Savings Account (Insurance Companies) (Amendment) Regulations 2001 and shall come into force on 1st January 2002, and shall have effect in relation to accounting periods of insurance companies beginning on or after 1st January 2002.

Interpretation

2. In these Regulations—

“the principal Regulations” means the Individual Savings Account (Insurance Companies) Regulations 1998(2);

“regulation” means a regulation of the principal regulations;

“Schedule 19AB” means Schedule 19AB to the Income and Corporation Taxes Act 1988(3).

Amendments to the principal Regulations

3.—(1) Regulation 20 (application of Schedule 19AB to the individual savings account business of insurance companies) shall be amended as follows.

(1) 1988 c. 1; section 333B was inserted by section 77 of the Finance Act 1998 (c. 36) and modified by section 87(3) and (4) of the Finance Act 2001 (c. 9).
(2) S.I.1998/1871.
(3) Schedule 19AB was inserted by section 49 of the Finance Act 1991 (c. 31), was relevantly amended by Schedule 34 to the Finance Act 1996 (c. 8) and paragraph 51 of Schedule 19 to the Finance Act 1998 (c. 36) and is prospectively repealed with effect from 6th April 2004 by Part II(12) of Schedule 33 to the Finance Act 2001.

- (2) In paragraph (1)—
- (a) for “3 and 4” there shall be substituted “2, 4, and 6(4) to (6)”;
 - (b) the words “as it applies in relation to pension business of such companies” shall be omitted.
- (3) Paragraph (2) shall be omitted.
4. For regulation 21 there shall be substituted the following regulation—
- “21. —
- (1) The amendments made to Schedule 19AB by paragraphs 10 and 11 of Schedule 3 to the Finance (No. 2) Act 1997, other than the amendment made by paragraph 10(4) of that Schedule, shall not have effect.
- (2) In the heading to Schedule 19AB for the words “PENSION BUSINESS: PAYMENTS ON ACCOUNT OF TAX CREDITS AND DEDUCTED TAX” there shall be substituted the words “INDIVIDUAL SAVINGS ACCOUNT BUSINESS: PAYMENTS ON ACCOUNT BY TAX CREDITS”.
- (3) In paragraphs 1(1), (2), (5) and (7) and 3(1A) for the words “pension business” wherever they occur there shall be substituted the words “individual savings account business”.
- (4) In paragraph 1(1)—
- (a) for the words “, subject to paragraph 2 below, to the aggregate of” there shall be substituted the word “to”;
 - (b) paragraph (a) shall be omitted.
- (5) Paragraph 1(3) shall be omitted.
- (6) Paragraph 1(4) shall be omitted.
- (7) After paragraph 1(4) the following paragraphs shall be inserted—
- “(4A) The provisional fraction for the purposes of this paragraph for a relevant accounting period shall be such fraction as the company may reasonably estimate, being a fraction which is not likely to be greater than the relevant fraction for its individual savings account business which would be determined in accordance with subsections (5) to (9B) of section 432A for that accounting period.
- (4B) In sub-paragraph (4A) above “relevant accounting period” means—
- (a) the accounting period in which 6th April 1999 falls, or
 - (b) any succeeding accounting period which begins before 6th April 2004.”
- (8) In paragraph 1(5)(b) the words “payment or” in each place where they occur shall be omitted.
- (9) In paragraph 1(7)—
- (a) the words “or repaid” shall be omitted;
 - (b) paragraph (a) shall be omitted;
 - (c) for “9(2)” there shall be substituted “9(3)”;
 - (d) the words “or section 42(4) of the Management Act” shall be omitted.
- (10) Paragraph 1(10) and (11) shall be omitted.
- (11) In paragraph 3(1A)—
- (a) for the words “assumptions in sub-paragraphs (1B) and (1C)” there shall be substituted the words “assumption in sub-paragraph (1B)”;
 - (b) the words “or repaid” shall be omitted;

- (c) for “9(2)” there shall be substituted “9(3)”;
 - (d) the words “or section 42(4) of the Management Act” shall be omitted;
 - (e) paragraph (a) shall be omitted.
- (12) In paragraph 3(1B)—
- (a) the words “or repayments” shall be omitted;
 - (b) paragraph (a) shall be omitted;
 - (c) in paragraph (b) for the words “that sub-paragraph” there shall be substituted the words “sub-paragraph (1A) above”.
- (13) Paragraph 3(1C) shall be omitted.
- (14) In paragraph 3(8)—
- (a) the words “or repaid” shall be omitted;
 - (b) paragraph (a) shall be omitted;
 - (c) in paragraph (b) for the words “that sub-paragraph” there shall be substituted the words “sub-paragraph (1A) above”.
- (15) In paragraph 6(1) in the definition of “provisional fraction” for the words “paragraphs 1(4) and 2” there shall be substituted “paragraph 1(4A)”.
- (16) In paragraphs (3) to (15) of this regulation a reference to a paragraph, without more, is a reference to that numbered paragraph of Schedule 19AB.”

5. The Schedule to these Regulations sets out the text of Schedule 19AB as applied by the principal Regulations and these Regulations.

11th December 2001

Nick Ainger
John Heppell
Two of the Lords Commissioners of Her
Majesty’s Treasury

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SCHEDULE

Regulation 5

“SCHEDULE 19AB

**INDIVIDUAL SAVINGS ACCOUNT BUSINESS:
PAYMENTS ON ACCOUNT OF TAX CREDITS(4)**

Entitlement to certain payments on account

1.—(1) An insurance company carrying on individual savings account business shall for each provisional repayment period in an accounting period be entitled on a claim made in that behalf to a payment (in this Schedule referred to as a “provisional repayment”) of an amount equal to—

(a) ...**(5)**

(b) the appropriate portion of any tax credit in respect of a distribution received by the company in that provisional repayment period and referable to its individual savings account business,

or of such lesser amount as may be specified in the claim**(6)**.

(2) For the purposes of this paragraph, a “provisional repayment period” of a company—

(a) shall begin whenever—

(i) the company begins to carry on individual savings account business;

(ii) an accounting period of the company begins, at a time when the company is carrying on such business; or

(iii) a provisional repayment period of the company ends, at a time when the company is carrying on such business; and

(b) shall end on the first occurrence of either of the following—

(i) the expiration of three months from the beginning of the provisional repayment period; or

(ii) the end of an accounting period of the company**(7)**.

(3) ...**(8)**

(4) ...**(9)**

(4A) The provisional fraction for the purposes of this paragraph for a relevant accounting period shall be such fraction as the company may reasonably estimate, being a fraction which is not likely to be greater than the relevant fraction for its individual savings account business which would be determined in accordance with subsections (5) to (9B) of section 432A for that accounting period.

(4B) In sub-paragraph (4A) above “relevant accounting period” means—

(a) the accounting period in which 6th April 1999 falls, or

(b) any succeeding accounting period which begins before 6th April 2004**(10)**.

(4) The heading is substituted by regulation 21(2) of S.I. 1998/1871 as substituted by regulation 4 of these Regulations (“the substituted regulation 21(2)”).

(5) Paragraph 1(1)(a) is omitted by the substituted regulation 21(4)(b). Note that paragraph 1(1)(b) is preserved due to the fact that Schedule 19AB operates without the amendments made by paragraphs 10 and 11 of Schedule 3 to the Finance (No. 2) Act 1997 (c. 58).

(6) Paragraph 1(1) is also amended by the substituted regulation 21(3) and (4A).

(7) Paragraph 1(2) is amended by the substituted regulation 21(3).

(8) Paragraph 1(3) is omitted by the substituted regulation 21(5).

(9) Paragraph 1(4) is omitted by the substituted regulation 21(6).

(10) Paragraph 1(4A) and (4B) are inserted by the substituted regulation 21(7) (replacing provisions originally inserted by regulation 21(4) of S.I. 1998/1871).

- (5) In sub-paragraph (1) above “the appropriate portion” means—
- (a) in the case of an insurance company carrying on individual savings account business and no other category of long term business, the whole; and
 - (b) in the case of an insurance company carrying on more than one category of long term business—
 - (i) where the distribution in question is income arising from an asset linked to individual savings account business, the whole; and
 - (ii) if and to the extent that the distribution in question is income which is not referable to a category of business by virtue of subsection (3) or (4) of section 432A, the provisional fraction⁽¹¹⁾; and
 - (iii) except as provided by sub-paragraph (i) or (ii) above, none.

(6) Paragraphs 57 to 60 of Schedule 18 to the Finance Act 1998 (general provisions as to procedure on claims and elections) do not apply to a claim for a provisional repayment.

(6A) A claim for a provisional repayment shall be in such form as the Board may determine and the form of claim shall provide for a declaration to the effect that all the particulars given in the form are correctly stated to the best of the knowledge and belief of the person making the claim⁽¹²⁾.

(7) A provisional repayment for a provisional repayment period shall be regarded as a payment on account of the amounts (if any) which the company would, apart from this Schedule, be entitled to be paid in respect of its individual savings account business for the accounting period in which that provisional repayment period falls, in respect of—

- (a) ...⁽¹³⁾
- (b) tax credits in respect of distributions received by the company in that accounting period and referable to its individual savings account business,

on a claim such as is mentioned in paragraph 9(3) of Schedule 18 to the Finance Act 1998 in respect of that accounting period⁽¹⁴⁾.

(8) ...⁽¹⁵⁾

(9) ...⁽¹⁶⁾

(10) ...⁽¹⁷⁾

(11) ...⁽¹⁸⁾

2. ...⁽¹⁹⁾

Repayment, with interest, of excessive provisional repayments

3.—(1) In any case where—

- (a) an insurance company’s self-assessment for an accounting period becomes final, and
- (b) the aggregate amount of the provisional repayments made to the company for that accounting period exceeds the appropriate amount,

⁽¹¹⁾ Paragraph 1(5)(b) is amended by the substituted regulation 21(8).

⁽¹²⁾ Paragraph 1(6A) was inserted by paragraph 1(5) of Schedule 34 to the Finance Act 1996 (c. 8) and Article 2 of S.I. 1998/3173.

⁽¹³⁾ Paragraph 1(7)(a) is omitted by the substituted regulation 21(9)(b).

⁽¹⁴⁾ Paragraph 1(7) was substituted by paragraph 1(6) of Schedule 34 to the Finance Act 1996, and amended by paragraph 51(4) of Schedule 19 to the Finance Act 1998 (c. 36), and is also modified by the substituted regulation 21(3) and (9).

⁽¹⁵⁾ Paragraph 1(8) was repealed by paragraph 1(7) of Schedule 34 to the Finance Act 1996.

⁽¹⁶⁾ Paragraph 1(9) was repealed by section 103 of the Finance Act 1993 (c. 34).

⁽¹⁷⁾ Paragraph 1(10) is omitted by the substituted regulation 21(10).

⁽¹⁸⁾ Paragraph 1(11) is omitted by the substituted regulation 21(10).

⁽¹⁹⁾ Paragraph 2 is omitted by the regulation 20(1) of S.I. 1998/1871 as amended by regulation 3(2)(a) of these Regulations.

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the excess, together with the amount of any relevant interest, shall be treated for the purposes of paragraph 52 of Schedule 18 to the Finance Act 1998 as if it were an amount of corporation tax for that accounting period which had been repaid to the insurance company and which ought not to have been so repaid.

(1A) For the purposes of sub-paragraph (1)(b) above, the appropriate amount for an accounting period of a company is the amount (if any) which, on the assumption in sub-paragraph (1B) below and disregarding any provisional repayments, the company would be entitled to be paid, when its self-assessment for the period becomes final, in respect of its individual savings account business for that accounting period on a claim such as is mentioned in paragraph 9(3) of Schedule 18 to the Finance Act 1998 in respect of—

(a) ...**(20)**

(b) tax credits in respect of distributions received by the company in that accounting period and referable to its individual savings account business.

(1B) The assumption is that no payments have been made to the company in respect of—

(a) ...**(21)**

(b) tax credits such as are mentioned in paragraph (b) of sub-paragraph (1A) above, before the company's self-assessment for the accounting period in question becomes final.

(1C) ...**(22)**

(1D) Paragraph 53 of Schedule 18 to the Finance Act 1998 (time limit for recovery of excessive repayments etc.) does not apply to an assessment under paragraph 52 of that Schedule made by virtue of this paragraph.

But such an assessment is not out of time under paragraph 46 of that Schedule (general six year time limit for assessments) if it is made not later than the end of the accounting period following that in which the self-assessment mentioned in sub-paragraph (1)(a) above becomes final.

(2) In this paragraph, "relevant interest" means interest—

(a) on so much of the excess referred to in sub-paragraph (1) above as is or was from time to time outstanding,

(b) for any period for which it is or was so outstanding, and

(c) at the rate applicable under section 178 of the Finance Act 1989 for the purposes of section 87A of the Management Act (interest on overdue corporation tax).

(3) In the application of section 87A of the Management Act in relation to an amount assessed to corporation tax under paragraph 52 of Schedule 18 to the Finance Act 1998 by virtue of this paragraph—

(a) the amount so assessed shall be taken to have become due and payable on the date on which that assessment was made; and

(b) the words "(in accordance with section 59D of this Act)" in subsection (1) shall accordingly be disregarded**(23)**.

(4) In determining the amount of any relevant interest, any question whether the excess mentioned in sub-paragraph (1) above (in the following provisions of this paragraph referred to as "the

(20) Paragraph 3(1A) to (1D) were inserted by paragraph 3(3) of Schedule 34 to the Finance Act 1996 and amended by paragraph 51(8) and (9) of Schedule 19 to the Finance Act 1998 (c. 36). Paragraph 3(1A) is also modified by the substituted regulation 21(11).

(21) Paragraph 3(1B) is also modified by the substituted regulation 21(12).

(22) Paragraph 3(1C) is omitted by the substituted regulation 21(13).

(23) Paragraph 3(3) was amended by paragraph 3(4) of Schedule 34 ("Schedule 34") to the Finance Act 1996 (c. 8).

principal”) or any part of it is or was “outstanding” at any time shall be determined in accordance with sub-paragraphs (5) to (8) below~~(24)~~.

(5) So much of the principal as does not exceed the amount of the last provisional repayment made to the company for the accounting period in question shall be taken to have become outstanding on the date on which that provisional repayment was made.

(6) So much (if any) of the principal as—

- (a) exceeds the amount of the provisional repayment referred to in sub-paragraph (5) above, but
- (b) does not exceed the amount of the preceding provisional repayment for that accounting period,

shall be taken to have become outstanding on the date on which that preceding provisional repayment was made; and so on with any remaining portion of the principal and any preceding provisional repayments for that accounting period.

(7) So much (if any) of the principal as has become outstanding as mentioned in sub-paragraph (5) or (6) above and has at any time neither been repaid to the Board nor been assessed to corporation tax under paragraph 52 of Schedule 18 to the Finance Act 1998 by virtue of this paragraph shall be taken to remain outstanding at that time (and an amount shall accordingly be taken to cease being outstanding only when it is repaid to the Board or when it is so assessed).

(8) For the purposes of sub-paragraph (7) above, any repayment made by the company in respect of an amount paid to it in respect of—

- (a) ...~~(25)~~
- (b) tax credits such as are mentioned in paragraph (b) of sub-paragraph (1A) above,

shall be treated as a repayment in respect of the principal, taking an earlier such repayment by the company before a later.

(9) In this paragraph “self-assessment” means an assessment included in a company tax return and includes a reference to such an assessment as amended.

4. ...~~(26)~~

5. ...~~(27)~~

Interpretation

6.—(1) In this Schedule—

“provisional fraction” shall be construed in accordance with paragraph 1(4A) above~~(28)~~;

“provisional repayment” means a provisional repayment under paragraph 1 above;

“provisional repayment period” shall be construed in accordance with paragraph 1 above.

(2) Any reference in this Schedule to a provisional repayment for an accounting period is a reference to a provisional repayment for a provisional repayment period falling within that accounting period.

(3) ...~~(29)~~

~~(24)~~ Paragraph 3(4) was amended by paragraph 3(5) of Schedule 34.

~~(25)~~ Paragraph 3(8) and (9) were inserted by paragraph 3(6) of Schedule 34, and paragraph 3(8) is amended by the substituted regulation 21(14).

~~(26)~~ Paragraph 4 is omitted by regulation 20(1) of S.I. 1998/1871 as amended by regulation 3(2)(a) of these Regulations.

~~(27)~~ Paragraph 5 is spent by virtue of Article 2 of S.I. 1992/3066 which appointed 30th September 1993 as the date referred to in paragraph 5(1)(a)(ii) of Schedule 19AB.

~~(28)~~ The definition of “the provisional fraction” was substituted by paragraph 4(2) of Schedule 34 to the Finance Act 1996, and amended by the substituted regulation 21(15).

~~(29)~~ Paragraph 6(3) was omitted by paragraph 4(3) of Schedule 34.

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(4) ...**(30)**

(5) ...

(6) ...”

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on 1st January 2002, make provision in relation to the individual savings account business of life assurance companies.

They amend the text of Schedule 19AB to the Income and Corporation Taxes Act 1988, so as to refer to tax credits only, not deduction of income tax at source. (Note that the amendments to Schedule 19AB made by paragraphs 10 and 11 of Schedule 3 to the Finance (No. 2) Act 1997 do not have effect for this purpose, by virtue of regulation 21(1) inserted by regulation 4 of these Regulations.)

These Regulations also introduce a simplified method of estimating the provisional repayments of tax credits which are referable to the individual savings account business of life assurance companies.

(30) Paragraphs 6(4) to (6) are omitted by regulation 20(1) of S.I. [1998/1871](#) as amended by regulation 3(2)(a) of these Regulations.