

**2003 No. 2082**

**INCOME TAX**

**The Insurance Companies (Calculation of Profits: Policy Holders' Tax) Regulations 2003**

<i>Made</i> - - - -	<i>11th August 2003</i>
<i>Laid before the House of Commons</i>	<i>11th August 2003</i>
<i>Coming into force</i> - -	<i>1st September 2003</i>

The Treasury, in exercise of the powers conferred upon them by section 82A of the Finance Act 1989(a), hereby make the following Regulations:

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Insurance Companies (Calculation of Profits: Policy Holders' Tax) Regulations 2003 and shall come into force on 1st September 2003.

(2) These Regulations have effect in relation to periods of account beginning on or after 1st January 2003 and ending on or after these Regulations come into force.

**Calculation of Profits: Policy Holders' Tax**

2. Tax expended on behalf of policy holders or annuitants is allowed as a deduction in calculating the profits for a period of account to the extent permitted by—

- (a) subject to regulation 5, the basis of deduction specified in regulation 3; and
- (b) regulation 5.

3. For the purpose of regulation 2 the basis of deduction is—

- (a) the basis used in the company's latest company tax return to determine the amount of tax expended on behalf of policy holders or annuitants allowed as a deduction in calculating the profits for that accounting period; or
- (b) where the company has no latest company tax return—
  - (i) where the company was the transferee of life assurance business under an insurance business transfer scheme, the basis used in the latest company tax return of the transferor company to determine the amount of tax expended on behalf of policy holders or annuitants allowed as a deduction in calculating the profits for that accounting period; or
  - (ii) in any other case, the basis the company would have used to determine the amount of tax expended on behalf of policy holders or annuitants allowed as a deduction in calculating the profits for an accounting period had it been required to deliver a company tax return for an accounting period beginning before 1st January 2003.

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(a) 1989 c. 26. Section 82A was inserted by section 170 of and paragraph 1 of Schedule 33 to the Finance Act 2003 (c. 14).

4. In regulation 3—

- (a) “the latest company tax return” means the company tax return for the latest preceding accounting period of the company or the transferor company for which such a return has been delivered before the day on which these Regulations come into force;
- (b) “an insurance business transfer scheme” means a scheme falling within section 105 of the Financial Services and Markets Act 2000, including an excluded scheme falling within Case 2, 3 or 4 of subsection (3) of that section(a).

5. A deduction for tax expended on behalf of policy holders or annuitants but not brought into account shall be allowed but only where such an amount has been included in any value deemed to be brought into account by virtue of section 83(2B) of the Finance Act 1989(b).

*Jim Murphy*  
*Joan Ryan*

11th August 2003

Two of the Lords Commissioners of Her Majesty’s Treasury

### EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations make provision for the purposes of section 82A of the Finance Act 1989 (c. 26) for a deduction for tax expended on behalf of policy holders or annuitants in computing the profits of an insurance company in respect of its life assurance business under Case 1 of Schedule D.

Regulation 1 provides for citation, commencement and effect.

Regulation 2 provides that tax expended on behalf of policy holders and annuitants is allowed as a deduction to the extent permitted by the basis of deduction specified in regulation 3 and by regulation 5.

Regulation 3 specifies three bases of deduction.

Regulation 4 provides for interpretation.

Regulation 5 provides for a deduction to be allowed for amounts deemed to be brought into account under section 83(2B) of the Finance Act 1989 to the extent such amounts represent tax expended on behalf of policy holders or annuitants which is not brought into account.

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(a) 2000 c. 8.

(b) Section 83(2B) was inserted by section 170 of and paragraph 2 of Schedule 33 to the Finance Act 2003.

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