

**2004 No.2680**

**CHILD TRUST FUNDS**

**The Child Trust Funds (Insurance Companies) Regulations 2004**

*Made - - - - 14th October 2004*

*Laid before the House of Commons 14th October 2004*

*Coming into force - - In accordance with regulation 1*

The Treasury, in exercise of the powers conferred upon them by section 333B of the Income and Corporation Taxes Act 1988(a) as extended by section 14(1) of the Child Trust Funds Act 2004(b), hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Child Trust Funds (Insurance Companies) Regulations 2004 and shall come into force on the day appointed under section 27 of the Child Trust Funds Act 2004, for the purposes of sections 8 and 9 of that Act.

**Interpretation**

2. In these Regulations—

“child trust fund business” has the meaning given by regulation 3;

“individual savings account business” has the meaning given in the Insurance Companies Regulations;

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

“the principal Regulations” means the Child Trust Funds Regulations 2004(d);

“the Taxes Act” means the Income and Corporation Taxes Act 1988.

**Child trust fund business**

3. For the purposes of these Regulations “child trust fund business”, in relation to an insurance company, means so much of that company’s life assurance business as is referable to any policy of life insurance, or to the reinsurance of liabilities under any such policy, where the policy is, on the date on which the insurance is made, a qualifying investment for an account within the meaning of regulation 12 of the principal Regulations.

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(a) 1988 c. 1; section 333B was inserted by section 77 of the Finance Act 1998 (c. 36) and amended by Articles 13, 22 and 52(2) of S.I. 2001/3629.

(b) 2004 c. 6.

(c) S.I. 1998/1871.

(d) S.I. 2004/1450.

## Modifications of the Taxes Act

4. Regulations 5 to 17 specify modifications of provisions of the Taxes Act so far as concerns the child trust fund business (and, in the case of regulations 11(b) and (c), 13 and 14, the individual savings account business) of insurance companies.

5. In section 431(2) insert at the appropriate place the following definition—

““child trust fund business” has the meaning given by regulation 3 of the Child Trust Funds (Insurance Companies) Regulations 2004;”.

6. In both of sections 431C(1)(a) and 431D(1)(b) after “pension business” insert “, child trust fund business”.

7. In section 431F(e) after “pension business,” insert “child trust fund business,”.

8. In section 432A(2)(d) (as modified by the Insurance Companies Regulations) after paragraph (aa) insert—

“(ab) child trust fund business;”.

9. In section 432AA(4)(e) (as modified by the Insurance Companies Regulations) after paragraph (aa) insert—

“(ab) child trust fund business;”.

10. In both of sections 432C(1) and 432D(1)(f) after “pension business,” insert “child trust fund business,”.

11. In section 436(g)—

(a) after the words “pension business”, in each place where they occur, insert “or child trust fund business”;

(b) in subsection (1)(a) for “that business” substitute “the business of each such category”.

(c) after subsection (3)(c) insert—

“(ca) there may be set off (so far as it has not been set off under paragraph (c)), against the profits of child trust fund business any loss, to be computed on the same basis as the profits, which has arisen from individual savings account business, in the same or any previous accounting period;

(cb) there may be set off (so far as it has not been set off under paragraph (c)), against the profits of individual savings account business any loss, to be computed on the same basis as the profits, which has arisen from child trust fund business, in the same or any previous accounting period;”.

12. In section 438(1)(h) add at the end “ or child trust fund business”.

13. In section 440(4)(a)(i) add at the end “, individual savings account business or child trust fund business, or assets linked to any of those categories but not to any other category of business”.

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(a) Section 431C was inserted by paragraphs 2 and 57 of Schedule 8 to the Finance Act 1995 (c. 4) and modified by regulation 8 of S.I. 1998/1871.

(b) Section 431D was inserted by paragraphs 2 and 55 of Schedule 8 to the Finance Act 1995 (c. 4) and modified by regulation 8 of S.I. 1998/1871.

(c) Section 431F was inserted by paragraphs 2 and 57 of Schedule 8 to the Finance Act 1995 (c. 4) and modified by regulation 9 of S.I. 1998/1871.

(d) Section 432A was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990 (c. 29) and modified by regulation 10 of S.I. 1998/1871.

(e) Section 432AA was inserted by paragraph 39 of Schedule 5 to the Finance Act 1998 and modified by regulation 11 of S.I. 1998/1871.

(f) Sections 432C and 432D were inserted by paragraph 4 of Schedule 6 to the Finance Act 1990 and modified by regulation 12 of S.I. 1998/1871.

(g) Section 436 was modified by regulation 13 of S.I. 1998/1871.

(h) Section 438 was modified by regulation 14 of S.I. 1998/1871.

(i) Section 440(4) was modified by regulation 15 of S.I. 1998/1871.

14. In section 440A(2)(a)(i)(a) after “pension business” insert “, individual savings account business or child trust fund business or any of those categories of business”.

15. In section 466(2)(b) insert at the appropriate place the following definition—

““child trust fund business” shall be construed in accordance with section 431(2);”.

16. In section 755A(c) (as modified by the Insurance Companies Regulations) after paragraph (aa) in each of subsections (4) and (13) insert—

“(ab) child trust fund business;”.

17. In paragraph 5(5) of Schedule 19AA(d) after “pension business;” insert “child trust fund business;”.

#### **Modification of the Taxation of Chargeable Gains Act 1992**

18. Regulation 19 specifies a modification of section 212 of the Taxation of Chargeable Gains Act 1992(e) so far as concerns child trust fund business of insurance companies.

19. In section 212(2) after “pension business” insert “, child trust fund business”.

#### **Modification of the Capital Allowances Act 2001**

20. Regulation 21 specifies a modification of section 256 of the Capital Allowances Act 2001(f) so far as concerns child trust fund business of insurance companies.

21. In section 256(3)(a) after “pension business” insert “, child trust fund business”.

#### **Amendments to the Insurance Companies Regulations**

22. Regulations 13(b), 15 and 16 of the Insurance Companies Regulations (which are superseded by regulations 11(b), 13 and 14 of these Regulations) shall cease to have effect.

*Derek Twigg  
John Heppell*

14th October 2004

Two of the Lords Commissioners of Her Majesty’s Treasury

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(a) Section 440A was inserted by paragraph 8 of Schedule 6 to the Finance Act 1990 and modified by regulation 16 of S.I. 1998/1871  
(b) Section 466(2) was modified by regulation 17 of S.I. 1998/1871  
(c) Section 755A was inserted by paragraph 13 of Schedule 17 to the Finance Act 1998 and modified by regulation 18 of S.I. 1998/1871  
(d) Schedule 19AA was inserted by paragraphs 6 and 10(1) of Schedule 7 to the Finance Act 1990 and modified by regulation 19 of S.I. 1998/1871  
(e) 1992 c. 12; section 212(2) was modified by regulation 23 of S.I. 1998/1871  
(f) 2001 c. 2.

## EXPLANATORY NOTE

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

These Regulations provide for the exemption from corporation tax of income and gains that arise to an insurance company providing child trust funds, so far as they relate to the company's child trust fund business. They also provide for the profit from operating child trust fund business to be taxed in the same way as profits from the company's Individual Savings Account business, and for losses arising one category to be set off against profits from the other.

Regulation 1 provides for citation and commencement and regulation 2 for interpretation. Regulations 3 to 22 make technical modifications to tax provisions, to achieve the above effect.

A full Regulatory Impact Assessment was prepared and issued on the introduction to Parliament of the Child Trust Funds Bill (passed as the 2004 Act) in November 2003.

£3.00

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under the authority and superintendence of Carol Tullo, Controller of Her Majesty's  
Stationery Office and Queen's Printer of Acts of Parliament.

E1408 10/2004 141408T 19585

ISBN 0-11-049952-2



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