

**EXPLANATORY MEMORANDUM TO
THE INSURANCE COMPANIES (CORPORATION TAX ACTS) ORDER 2004**

S.I. 2004 No. 3266

1. This explanatory memorandum has been prepared by the Commissioners of Inland Revenue and is laid before the House of Commons by Command of Her Majesty.
2. **Description**
 - 2.1 This Order makes amendments to Chapter 1 of Part 12 of the Income and Corporation Taxes Act 1988 (ICTA) and to other provisions of the Corporation Tax Acts affecting insurance companies. The amendments are made in consequence of changes made by the FSA to their Handbooks of Rules.
3. **Matters of Special interest to the Select Committee on Statutory Instruments**
 - 3.1 None.
4. **Legislative Background**
 4. These regulations are being made under powers conferred by section 431A of the Income and Corporation Taxes Act 1988.
5. **Extent**
 - 5.1 The instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**
 - 6.1 The Financial Secretary to the Treasury (Stephen Timms) has confirmed that advice provided to him confirms that the provisions of this Order are compatible with the European Convention on Human Rights.
7. **Policy Background**
 - 7.1 Insurance company taxation is heavily dependent on, and in many instances takes its figures directly from, the regulatory return made under the Rules in the Handbook made by the FSA under the powers in the Financial Services and Markets Act 2000 (FISMA). Further, in a number of definitions the insurance company tax provisions adopt terms used in and defined in Regulations made under FISMA and in the Handbook Rules.

The FSA has made or is soon to make a number of instruments which will change substantially the regulatory regime for insurance companies. It is making a new Integrated Prudential Sourcebook and modifying the

existing Interim Sourcebook for Insurers. It is necessary to reflect those changes in the tax legislation.

8. Impact

- 8.1 A Regulatory Impact Assessment has not been published for this instrument.
- 8.2 The regulations track the changes made by the FSA so that companies will still be able to use the entries in the FSA periodical return as the basis for their tax computations.

9. Contact

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