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STATUTORY INSTRUMENTS

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**2005 No. 646**

The Finance Act 2002, Schedule 26,  
Parts 2 and 9 (Amendment) Order 2005

**Amendment of Part 2 of Schedule 26 to the Finance Act 2002**

- 4.—(1) Amend paragraph 4 as follows.
- (2) Omit sub-paragraph (1A).
- (3) For sub-paragraph (2) substitute—
- “(2) For the purposes of this paragraph the excluded types of property are—
- (a) in relation to an option or future, intangible fixed assets; and
  - (b) in relation to relevant contracts which satisfy the conditions specified in sub-paragraph (2A) or (2B)—
    - (i) shares in a company, or
    - (ii) rights of a unit holder under a unit trust scheme.
- (2A) The conditions specified in this sub-paragraph are—
- (a) the relevant contract is entered into by a company carrying on life assurance business;
  - (b) the relevant contract is an approved derivative for the purposes of Rule 4.3.5 of the Integrated Prudential Sourcebook; and
  - (c) there is a hedging relationship between the relevant contract and shares or rights of a unit holder under a unit trust scheme held by the company as assets of its long-term insurance fund.
- (2B) The conditions specified in this sub-paragraph are—
- (a) the relevant contract is entered into or acquired by a company otherwise than for the purposes of a trade carried on by it or the company is a mutual trading company, and
  - (b) there is a hedging relationship between the contract and an asset of the company which consists of shares or rights of a unit holder under a unit trust scheme.”.

(4) Omit sub-paragraphs (3) and (5).