

**EXPLANATORY MEMORANDUM TO
THE INCOME TAX (PURCHASED LIFE ANNUITIES) (AMENDMENT)
REGULATIONS 2012**

2012 No. 2902

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

2.1 This instrument amends the Income Tax (Purchased Life Annuities) Regulations 2008 to allow the amount of each purchased life annuity payment which is exempt from tax to be calculated using the male mortality table.

3. **Matters of special interest to the Select Committee on Statutory Instruments.**

3.1 None.

4. **Legislative Context**

4.1 This instrument ensures that the UK legislation on purchased life annuities at Parts 4 and 6 of Part 7 of the Income Tax (Trading and Other Income) Act 2005 complies with the European Court of Justice's decision in *C-236/09 Association Belges des Consommateurs Test-Achats ASBL v Council of Ministers ('Test-Achats')* which requires that insurance benefits and premiums be calculated in a gender neutral way.

5. **Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. **Policy background**

- *What is being done and why*

7.1 The changes set out in this instrument ensure that the UK's legislation on the taxation of purchased life annuities is compatible with the ECJ ruling in the *Test-Achats* case on gender and life insurance premiums and benefits. Regulation 2 achieves this by ensuring that the tax exempt element of a purchased life annuity payment is calculated using a male only mortality table. By using only the male table these provisions ensure that males will not see any change in their exempt element or tax liability, whilst female annuitants will enjoy a tax reduction.

- **Consolidation**

7.2 There are no plans to consolidate this instrument.

8. Consultation outcome

8.1 The Association of British Insurers (ABI) were informally consulted as one of the major interested parties and supported these changes.

9. Guidance

9.1 Her Majesty's Revenue and Customs guidance manual will be updated to reflect the changes set out in this instrument as part of the normal guidance update process.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 The impact on the public sector is negligible.

10.3 An Impact Assessment has not been prepared for this instrument as it contains no substantive changes to tax policy.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The outcome will be subject to internal review after 24 months and the legislation may be amended accordingly.

13. Contact

Fiona Hay at the Her Majesty's Revenue and Customs Tel: 020 7147 2543 or email: fiona.hay@hmrc.gsi.gov.uk can answer any queries regarding the instrument.