

## SCHEDULES

### SCHEDULE 7

#### BASIC LIFE ASSURANCE AND GENERAL ANNUITY BUSINESS

##### *Deduction for annuities referable to basic life assurance and general annuity business*

- 5 In section 437 of that Act, for subsection (1) there shall be substituted—
- “(1A) In the case of a company carrying on basic life assurance and general annuity business, the new annuities paid in any accounting period by the company shall be regarded as charges on income only to the extent that they do not exceed the income limit for that accounting period.
- (1B) Subsection (1A) above shall not apply to an insurance company charged to corporation tax in accordance with the provisions applicable to Case I of Schedule D in respect of the profits of its life assurance business.
- (1C) For the purposes of this section—
- (a) “new annuity” means any annuity, so far as paid under a contract made by an insurance company in an accounting period beginning on or after 1st January 1992 and so far as referable to the company’s basic life assurance and general annuity business;
  - (b) “the income limit” for an accounting period of an insurance company is the difference between—
    - (i) the total amount of the new annuities paid by the company in that accounting period; and
    - (ii) the total of the capital elements contained in the new annuities so paid; and
  - (c) the capital element contained in an annuity shall be determined in accordance with Chapter V of Part XIV, but for this purpose—
    - (i) it is immaterial whether or not an annuitant claims any relief to which he is entitled under that Chapter; and
    - (ii) where, by virtue of subsection (2) of section 657, section 656 does not apply to an annuity, the annuity shall be treated as containing the capital element that it would have contained apart from that subsection.
- (1D) In any case where—
- (a) a payment in respect of an annuity is made by an insurance company under a group annuity contract made in an accounting period beginning before 1st January 1992,
  - (b) the company’s liabilities first include an amount in respect of that annuity in an accounting period beginning on or after that date, and
  - (c) the company’s liability in respect of that annuity is referable to its basic life assurance and general annuity business,

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*Status: This is the original version (as it was originally enacted).*

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the payment shall be treated for the purposes of this section, other than this subsection, as if the group annuity contract had been made in an accounting period beginning on or after 1st January 1992 (and, accordingly, as payment of a new annuity).

(1E) In any case where—

- (a) a payment in respect of an annuity is made by a reinsurer under a reinsurance treaty made in an accounting period beginning before 1st January 1992,
- (b) the reinsurer's liabilities first include an amount in respect of that annuity in an accounting period beginning on or after that date, and
- (c) the reinsurer's liability in respect of that annuity is referable to its basic life assurance and general annuity business,

the payment shall, as respects the reinsurer, be treated for the purposes of this section, other than this subsection, as if the reinsurance treaty had been made in an accounting period beginning on or after 1st January 1992 (and, accordingly, as payment of a new annuity).

(1F) In this section—

“group annuity contract” means a contract between an insurance company and some other person under which the company undertakes to become liable to pay annuities to or in respect of such persons as may subsequently be specified or otherwise ascertained under or in accordance with the contract (whether or not annuities under the contract are also payable to or in respect of persons who are specified or ascertained at the time the contract is made);

“reinsurance treaty” means a contract under which one insurance company is obliged to cede, and another (in this section referred to as a “reinsurer”) to accept, the whole or part of a risk of a class or description to which the contract relates.”