



Finance Act 1995

1995 CHAPTER 4

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Miscellaneous

[^{F1}142] **Annuities purchased where certain claims or actions are settled.**

The following sections shall be inserted after section 329 of the Taxes Act 1988—

“ Annuities purchased for certain persons.

- (1) In a case where—
- (a) an agreement is made settling a claim or action for damages for personal injury,
 - (b) under the agreement the damages are to consist wholly or partly of periodical payments, and
 - (c) under the agreement the person entitled to the payments is to receive them as the annuitant under one or more annuities purchased for him by the person against whom the claim or action is brought or, if he is insured against the claim concerned, by his insurer,
- the agreement is for the purposes of this section a qualifying agreement.
- (2) In a case where—
- (a) an agreement is made settling a claim or action for damages for personal injury,
 - (b) under the agreement the damages are to consist wholly or partly of periodical payments, and
 - (c) a later agreement is made under which the person entitled to the payments is from a future date to receive them as the annuitant under one or more annuities purchased for him by the person against whom

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 1995, Section 142. (See end of Document for details)*

the claim or action is brought or, if he is insured against the claim concerned, by his insurer,

the agreement mentioned in paragraph (c) above is for the purposes of this section a qualifying agreement.

- (3) Subsection (4) below applies where—
- (a) a person receives a sum as the annuitant under an annuity purchased for him pursuant to a qualifying agreement, or
 - (b) a person receives a sum on behalf of the annuitant under an annuity purchased for the annuitant pursuant to a qualifying agreement.
- (4) Where this subsection applies the sum shall not be regarded as the recipient's or annuitant's income for any purposes of income tax and accordingly shall be paid without any deduction under section 349(1).
- (5) Subsections (6) to (10) below apply for the purposes of subsection (1) above.
- (6) The periodical payments may be for the life of the claimant, for a specified period or of a specified number or minimum number or include payments of more than one of those descriptions.
- (7) The amounts of the periodical payments (which need not be at a uniform rate or payable at uniform intervals) may be—
- (a) specified in the agreement, with or without provision for increases of specified amounts or percentages,
 - (b) subject to adjustment in a specified manner so as to preserve their real value, or
 - (c) partly specified as mentioned in paragraph (a) and partly subject to adjustment as mentioned in paragraph (b) above.
- (8) The annuity or annuities must be such as to provide sums which as to amount and time of payment correspond to the periodical payments described in the agreement.
- (9) Personal injury includes any disease and any impairment of a person's physical or mental condition.
- (10) A claim or action for personal injury includes—
- (a) such a claim or action brought by virtue of the ^{M1}Law Reform (Miscellaneous Provisions) Act 1934;
 - (b) such a claim or action brought by virtue of the ^{M2}Law Reform (Miscellaneous Provisions) Act (Northern Ireland) 1937;
 - (c) such a claim or action brought by virtue of the ^{M3}Damages (Scotland) Act 1976;
 - (d) a claim or action brought by virtue of the ^{M4}Fatal Accidents Act 1976;
 - (e) a claim or action brought by virtue of the ^{M5}Fatal Accidents (Northern Ireland) Order 1977.
- (11) For the purposes of subsection (2) above—
- (a) subsections (6), (9) and (10) above apply;
 - (b) subsection (7) above applies as if the reference to the agreement were to that mentioned in subsection (2)(a) above;

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1995, Section 142. (See end of Document for details)

- (c) subsection (8) above applies as if the reference to periodical payments described in the agreement were to periodical payments described in the agreement mentioned in subsection (2)(a) above and falling to be made after the later agreement takes effect.
- (12) This section does not apply unless the sum concerned is received after the day on which the Finance Act 1995 is passed, but it is immaterial when—
- (a) the agreement mentioned in subsection (1) above is made or takes effect, or
 - (b) either of the agreements mentioned in subsection (2) above is made or takes effect.

Annuities assigned in favour of certain persons.

- (1) In a case where—
- (a) an agreement is made settling a claim or action for damages for personal injury,
 - (b) under the agreement the damages are to consist wholly or partly of periodical payments,
 - (c) the person against whom the claim or action is brought (or, if he is insured against the claim concerned, his insurer) purchases one or more annuities, and
 - (d) a later agreement is made under which the annuity is, or the annuities are, assigned in favour of the person entitled to the payments so as to secure that from a future date he receives the payments as the annuitant under the annuity or annuities,
- the agreement mentioned in paragraph (d) above is for the purposes of this section a qualifying agreement.
- (2) Subsection (3) below applies where—
- (a) a person receives a sum as the annuitant under an annuity assigned in his favour pursuant to a qualifying agreement, or
 - (b) a person receives a sum on behalf of the annuitant under an annuity assigned in the annuitant's favour pursuant to a qualifying agreement.
- (3) Where this subsection applies the sum shall not be regarded as the recipient's or annuitant's income for any purposes of income tax and accordingly shall be paid without any deduction under section 349(1).
- (4) For the purposes of subsection (1) above—
- (a) subsections (6), (9) and (10) of section 329A apply;
 - (b) subsections (7) and (8) of section 329A apply as if references to the agreement were to that mentioned in subsection (1)(a) above.
- (5) This section does not apply unless the sum concerned is received after the day on which the Finance Act 1995 is passed, but it is immaterial when either of the agreements mentioned in subsection (1) above is made or takes effect.”]

Textual Amendments

F1 S. 142 repealed (29.4.1996) by 1996 c. 8, s. 205, **Sch. 41 Pt. V(16)**

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 1995, Section 142. (See end of Document for details)*

Marginal Citations

- M1** 1934 c. 41.
- M2** 1937 c. 9 (N.I.).
- M3** 1976 c. 13.
- M4** 1976 c. 30.
- M5** S.I. 1977/1251 (N.I. 18).

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1995, Section 142.