



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER VI

MISCELLANEOUS PROVISIONS

Insurance companies

163 Life assurance business losses.

Schedule 31 to this Act, which makes provision about losses arising to insurance companies in the carrying on of life assurance business, shall have effect.

164 Limits on relief for expenses.

^{F1}(1)

^{F2}(2)

^{F3}(3)

^{F4}(4)

(5) Subject to subsection (6) below, this section has effect in relation to accounting periods beginning on or after 1st January 1996.

^{F5}(6)

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Cross Heading: Insurance companies. (See end of Document for details)

Textual Amendments

- F1** S. 164(1) repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)
- F2** S. 164(2) repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)
- F3** S. 164(3) repealed (with effect in accordance with reg. 1 of the amending S.I.) by [The Overseas Life Insurance Companies Regulations 2006 \(S.I. 2006/3271\)](#), reg. 1, [Sch. Pt. 1](#)
- F4** S. 164(4) omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 17 para. 24\(2\)](#)
- F5** S. 164(6) repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)

165 Annual payments under insurance policies: deductions.

- (1) In section 337 of the Taxes Act 1988 (deductions in computing income), the following subsections shall be inserted after subsection (2)—
- “(2A) In computing any profits or losses of a company in accordance with the provisions of this Act applicable to Case I of Schedule D, subsection (2)(b) above shall not prevent the deduction of any annuity or other annual payment which is payable by a company wholly or partly in satisfaction of any claim under an insurance policy in relation to which the company is the insurer.
- (2B) The reference in subsection (2A) above to an annuity payable wholly or partly in satisfaction of a claim under an insurance policy shall be taken, in relation to an insurance company (within the meaning of Chapter I of Part XII), to include a reference to every annuity payable by that company; and the references in sections 338(2) and 434B(2) to an annuity paid wholly or partly as mentioned in subsection (2A) above shall be construed accordingly.”
- (2) In section 338(2) of that Act, in the words after paragraph (b) (payments which are not charges on income), after “corporation tax” there shall be inserted “ nor any annuity or other annual payment which (without being so deductible) is paid wholly or partly as mentioned in section 337(2A) ”.
- [^{F6}(3) In section 434B of that Act (treatment of interest and annuities in the case of insurance companies), subsection (1) shall cease to have effect; and in subsection (2), for the words from the beginning to “mentioned in subsection (1) above” there shall be substituted—
- “(2) Nothing in section 337(2A) or 338(2) shall be construed as preventing any annuity or other annual payment which is paid wholly or partly as mentioned in section 337(2A).”.]
- (4) Subject to subsection (5) below, this section has effect in relation to accounting periods beginning on or after 1st January 1996.
- (5) In relation to any accounting period beginning on or after 1st January 1996 but ending before 1st April 1996, this section shall have effect as if any reference in provisions inserted by this section to an annuity payable or paid by an insurance company included a reference to any such interest as was mentioned in section 434B(1) of the Taxes Act 1988 before its repeal by virtue of this section.

Status: Point in time view as at 01/04/2009.

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Textual Amendments

F6 s. 165(3) repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(6), Note) by 1997 c. 16, s. 113, Sch. 18 Pt. VI(6)

166 Equalisation reserves.

Schedule 32 to this Act (which makes provision about the tax treatment of equalisation reserves maintained by insurance companies) shall have effect.

167 Industrial assurance business.

(1) In section 432 of the Taxes Act 1988, subsection (2) (industrial assurance business treated as separate business for the purposes of Chapter I of Part XII) shall cease to have effect.

^{F7}(2)

(3) In section 86 of the ^{M1}Finance Act 1989 (spreading of relief for acquisition expenses)

- (a) in subsection (1)(a), for “in respect of industrial life assurance business carried on by the company” there shall be substituted “ for persons who collect premiums from house to house ”; and
- (b) in subsection (2), for “in respect of industrial life assurance business” there shall be substituted “ for persons who collect premiums from house to house ”.

^{F8}(4)

(5) In Schedule 14 to the Taxes Act 1988 (ancillary provisions about relief in respect of life assurance premiums), in paragraph 8, at the beginning of sub-paragraph (4) (policy which is varied so as to increase benefits, etc. to be treated as issued after 13th March 1984) there shall be inserted “ Subject to sub-paragraph (8) below, ”.

(6) After sub-paragraph (7) of that paragraph there shall be inserted the following sub-paragraph—

- “(8) Sub-paragraph (4) above does not apply in the case of a variation so as to increase the benefits secured, if the variation is made—
 - (a) on or after such day as the Board may by order appoint, and
 - (b) in consideration of a change in the method of payment of premiums from collection by a person collecting premiums from house to house to payment by a different method.”

(7) In Schedule 15 to the Taxes Act 1988 (qualifying policies)—

- (a) in paragraph 1(6) (calculation of amount included in premiums of whole life and term insurances in respect of their payment otherwise than annually), for “and if the policy is issued in the course of an industrial assurance business,” there shall be substituted “ sand if the policy provides for payment otherwise than annually without providing for the amount of the premiums if they are paid annually, ”; and
- (b) in paragraph 2(2) (the equivalent calculation for endowment assurances), for “issued in the course of an industrial assurance business” there shall be substituted “ that provides for the payment of premiums otherwise than

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annually without providing for the amount of the premiums if they are paid annually, ”.

(8) After paragraph 8 of that Schedule there shall be inserted the following paragraph—

“8A (1) Paragraphs 7 and 8 above shall have effect in relation to any policy issued on or after the appointed day as if the references to the issue of a policy in the course of an industrial assurance business were references to the issue of a policy by any company in a case in which—

- (a) the company, before that day and in the course of such a business, issued any policy which was a qualifying policy by virtue of either of those paragraphs; and
- (b) the policies which on 28th November 1995 were being offered by the company as available to be issued included policies of the same description as the policy issued on or after the appointed day.

(2) In this paragraph “the appointed day” means such day as the Board may by order appoint.”

(9) In paragraph 18(3) of that Schedule (certain variations of a policy not to affect whether policy is a qualifying policy), after paragraph (b) there shall be inserted “or

- (c) any variation so as to increase the benefits secured or reduce the premiums payable which is effected—
 - (i) on or after such day as the Board may by order appoint, and
 - (ii) in consideration of a change in the method of payment of premiums from collection by a person collecting premiums from house to house to payment by a different method.”

(10) Subsections (1) to (3) above have effect in relation to accounting periods beginning on or after 1st January 1996.

(11) Subsection (4) above shall come into force on such day as the Board may by order appoint.

(12) Subsection (7) above shall have effect in relation to policies issued on or after such day as the Board may by order appoint.

Subordinate Legislation Made

P1 S. 167(11)(12) power fully exercised: 1.12.2001 appointed by [S.I. 2001/3643](#), **art. 2(a)**

Textual Amendments

F7 S. 167(2) repealed (with effect in accordance with s. 38 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(7)**

F8 S. 167(4) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

Marginal Citations

M1 [1989 c. 26](#).

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Cross Heading: Insurance companies. (See end of Document for details)

168 Capital redemption business.

- ^{F9}(1)
- (2) Schedule 33 to this Act (which makes provision for the application of the I minus E basis of charging tax to companies carrying on capital redemption business) shall have effect.
- ^{F9}(3)
- ^{F10}(4)
- ^{F10}(5)
- ^{F10}(6)

Textual Amendments

- F9** S. 168(1)(3) repealed (with effect in accordance with s. 38 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)
- F10** S. 168(4)-(6) omitted (with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 14 para. 17\(e\)](#)

^{F11}169

Textual Amendments

- F11** S. 169 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(12), Note of the amending Act) by [2001 c. 9, s. 110](#), [Sch. 33 Pt. 2\(12\)](#)

[^{F12}170 Time for amending and enquiring into returns.

- (1) After section 11AB of the ^{M2}Taxes Management Act 1970 there shall be inserted the following sections—

“ Modifications of sections 11AA and 11AB in relation to non-annual accounting of general insurance business.

- (1) This section applies in any case where a company carrying on insurance business in any period delivers a return for that period under section 11 of this Act which is based wholly or partly on accounts which the company is required or permitted to draw up using the method described in paragraph 52 of Schedule 9A to the ^{M3}Companies Act 1985 (accounting for general insurance business on a non-annual basis).
- (2) Where this section applies, section 11AA(2) of this Act shall have effect as if after paragraph (b) there were added “and
- (c1) where a company has delivered a return which is based wholly or partly on accounts drawn up as mentioned in section 11AC(1) of this Act, then, at any time before the end of the period of twelve months beginning with the date on which any particular technical provision constituted in the case of those accounts as described in paragraph 52

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of Schedule 9A to the ^{M4}Companies Act 1985 is replaced as described in sub-paragraph (4) of that paragraph, the company may by notice to an officer of the Board so amend its self-assessment as to give effect to any amendments to the return—

- (i) which arise from the replacement of that technical provision, and
- (ii) which the company has notified to such an officer.”

(3) Where this section applies, section 11AB of this Act shall have effect—

- (a) as if in subsection (1)(b) after “subsection (2)(b)” there were inserted “or (c1)”; and
- (b) as if in subsection (2) for the words from “is” to the end of paragraph (b) there were substituted—
 - (“ in the case of a return (whenever delivered) which is based wholly or partly on accounts drawn up as mentioned in section 11AC(1) of this Act, is whichever of the following periods ends the later, that is to say—
 - (i) the period of two years beginning with the date (or, if there is more than one such date, the latest date) on which any technical provision constituted in the case of those accounts as described in paragraph 52 of Schedule 9A to the Companies Act 1985 is replaced as mentioned in sub-paragraph (4) of that paragraph; or
 - (ii) the period ending with the quarter day next following the first anniversary of the day on which the return was delivered; and
- (b1) in the case of an amendment of such a return—
 - (i) if the amendment is made on or before the filing date, is the period of twelve months beginning with that date; or
 - (ii) if the amendment is made after that date, is the period ending with the quarter day next following the first anniversary of the day on which the amendment was made;”.

Modifications of sections 11AA and 11AB for insurance companies with non-annual actuarial investigations.

- (1) This section applies in any case where a return under section 11 of this Act is delivered by an insurance company which is permitted by an order under section 68 of the ^{M5}Insurance Companies Act 1982 to cause investigations to be made into its financial condition less frequently than is required by section 18 of that Act.
- (2) Where this section applies, section 11AA(2) of this Act shall have effect as if, after paragraph (b), there were added “and
 - (c2) where a company falling within section 11AD(1) of this Act has delivered a return for any period, then, at any time before the end of the period of twelve months beginning with the date as at which the relevant investigation is carried out, that is to say—
 - (i) if the return is for a period as at the end of which there is carried out an investigation under section 18 of the ^{M6}Insurance Companies Act 1982 into the financial condition of the company, that investigation, or

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- (ii) if the return is not for such a period, the first such investigation to be made into the financial condition of the company as at the end of a subsequent period, the company may by notice to an officer of the Board so amend its self-assessment as to give effect to any amendments to its return which arise from that investigation and which the company has notified to such an officer.”
- (3) Where this section applies, section 11AB of this Act shall have effect—
- (a) as if in subsection (1)(b) after “subsection (2)(b)” there were inserted “or (c2)”; and
- (b) as if in subsection (2) for the words from “is” to the end of paragraph (b) there were substituted—
- (“ in the case of a return delivered at any time by a company falling within section 11AD(1) of this Act, is the period of two years beginning with the date as at which the relevant investigation, as defined in section 11AA(2)(c2) of this Act, is carried out; and
- (b2) in the case of an amendment of such a return—
- (i) if the amendment is made on or before the filing date, is the period of twelve months beginning with that date; or
- (ii) if the amendment is made after that date, is the period ending with the quarter day next following the first anniversary of the day on which the amendment was made;”.

Modifications of sections 11AA and 11AB for friendly societies with non-annual actuarial investigations.

- (1) This section applies in any case where a return under section 11 of this Act is delivered by a friendly society which is required by section 47 of the ^{M7}Friendly Societies Act 1992 to cause an investigation to be made into its financial condition at least once in every period of three years.
- (2) Where this section applies, section 11AA(2) of this Act shall have effect as if, after paragraph (b), there were added “and
- (c3) where a friendly society falling within section 11AE(1) of this Act has delivered a return for any period, then, at any time before the end of the period of fifteen months beginning with the date as at which the relevant investigation is carried out, that is to say—
- (i) if the return is for a period as at the end of which there is carried out an investigation under section 47 of the ^{M8}Friendly Societies Act 1992 into the financial condition of the society, that investigation, or
- (ii) if the return is not for such a period, the first such investigation to be made into the financial condition of the society as at the end of a subsequent period, the society may by notice to an officer of the Board so amend its self-assessment as to give effect to any amendments to its return which arise from that investigation and which the society has notified to such an officer.”
- (3) Where this section applies, section 11AB of this Act shall have effect—

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- (a) as if in subsection (1)(b) after “subsection (2)(b)” there were inserted “or (c3)”; and
 - (b) as if in subsection (2) for the words from “is” to the end of paragraph (b) there were substituted—
 - (“ in the case of a return delivered at any time by a friendly society falling within section 11AE(1) of this Act, is the period of twenty seven months beginning with the date as at which the relevant investigation, as defined in section 11AA(2)(c3) of this Act, is carried out; and
 - (b3) in the case of an amendment of such a return—
 - (i) if the amendment is made on or before the filing date, is the period of twelve months beginning with that date; or
 - (ii) if the amendment is made after that date, is the period ending with the quarter day next following the first anniversary of the day on which the amendment was made;”.
- (2) The amendment made by subsection (1) above shall have effect as respects accounting periods ending on or after the day appointed under section 199 of the ^{M9}Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).]

Textual Amendments

F12 S. 170 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

Marginal Citations

M2 1970 c. 9.
M3 1985 c. 6.
M4 1985 c. 6.
M5 1982 c. 50.
M6 1982 c. 50.
M7 1992 c. 40.
M8 1992 c. 40.
M9 1994 c. 9.

Status:

Point in time view as at 01/04/2009.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1996, Cross Heading:
Insurance companies.