



Finance Act 2006

2006 CHAPTER 25

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 7

CHARGEABLE GAINS

Insurance policies and annuities

73 Policies of insurance and non-deferred annuities

- (1) TCGA 1992 is amended as follows.
- (2) For section 204 (policies of insurance) substitute—

“204 Policies of insurance and non-deferred annuities

- (1) A gain accruing on a disposal of, or of an interest in, the rights conferred by a non-life policy of insurance is not a chargeable gain (but see subsection (2)).
- (2) If a disposal is of, or of an interest in, the rights conferred by a non-life policy of insurance of the risk of—
 - (a) any kind of damage to assets, or
 - (b) the loss or depreciation of assets,the exemption under subsection (1) does not apply so far as those rights relate to chargeable assets.
- (3) For this purpose “chargeable assets” means assets on the disposal of which a chargeable gain—
 - (a) may accrue, or

Status: This is the original version (as it was originally enacted).

- (b) might have accrued.
- (4) Nothing in subsections (1) and (2) prevents sums received under a non-life policy of insurance of the risk of—
 - (a) any kind of damage to assets, or
 - (b) the loss or depreciation of assets,
 from being sums derived from the assets for the purposes of this Act (and, in particular, for the purposes of section 22).
- (5) A gain accruing on a disposal of, or of an interest in, the rights conferred by a contract for an annuity is not a chargeable gain if the annuity is—
 - (a) a non-deferred annuity, or
 - (b) an annuity granted (or deemed to be granted) under the Government Annuities Act 1929.
- (6) If any investments or other assets are, in accordance with a policy issued in the course of life assurance business carried on by an insurance company, transferred to the policy holder—
 - (a) the policy holder’s acquisition of the assets, and
 - (b) the disposal of the assets to the policy holder,
 are to be taken for the purposes of this Act to be for a consideration equal to the market value of the assets.
- (7) In this section “interest”, in relation to any rights, means an interest as a co-owner of the rights.
- (8) It does not matter—
 - (a) whether the rights are owned jointly or in common, or
 - (b) whether or not the interests of the co-owners are equal.
- (9) In this section a “non-deferred annuity” means an annuity—
 - (a) which is not granted under a contract for a deferred annuity, and
 - (b) which is granted in the ordinary course of a business of granting annuities on the life of any person,
 and it does not matter whether the annuity includes instalments of capital.
- (10) In this section a “non-life policy of insurance” means—
 - (a) a contract made in the course of a capital redemption business, as defined in section 458(3) of the Taxes Act, and
 - (b) any other policy of insurance which is not a policy of insurance on the life of any person.”.
- (3) In section 237 (superannuation funds, annuities and annual payments)—
 - (a) at the end of paragraph (a), insert “or”, and
 - (b) omit paragraph (b) (exemption for disposals of non-deferred annuities etc).
- (4) The amendments made by this section have effect in relation to disposals made on or after 5th December 2005.