

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 227 Schedule 39: Repeal of Miscellaneous Reliefs Etc

Details of Schedule 39

Part 4: Life assurance

Abolition of income tax relief for life assurance premiums under section 266 of ICTA

40. [Paragraph 23](#) restricts individuals' entitlement to life assurance premiums (LAPR) under section 266 of the Income Corporation and Taxes Act 1988 (ICTA) so that relief will only be due for premiums that are due and payable before 6 April 2015 and for premiums payable before this date that are actually paid before 6 July 2015. This restriction also applies to premiums paid by employers in respect of employees for whom entitlement to LAPR was provided through section 266A of ICTA.
41. [Paragraph 24](#) provides that claims for relief under paragraph 6 of Schedule 14 to ICTA may not be made after 5 April 2016. Paragraph 6 of Schedule 14 to ICTA entitles individuals to make claims and applies where they have not received relief in full by paying premiums to insurers or friendly societies 'net' of the relief.
42. [Paragraph 25](#) restricts the time by which insurers and friendly societies must make all outstanding reconciliations and claims for payment from HM Revenue & Customs (HMRC) under the [Income Tax \(Life Assurance Premium Relief\) Regulations 1978 \(S.I. 1978/1159\)](#) ("1978 Regulations"). These must be made by the earliest of:
- 6 months from the end of the first accounting period to end after 5 April 2015; and either
 - 6 years from the end of the accounting period for which the claim relates; or
 - 12 months from the end of the accounting period in which insurance companies or friendly societies have received and retained one or more interim payments of LAPR from HMRC.

For these purposes, 'accounting period' means the period for which the insurance company or friendly society makes up its accounts.

43. [Paragraph 25\(5\)](#) requires HMRC to decide all claims for LAPR made under the 1978 Regulations no later than 5 April 2017.
44. [Paragraphs 26](#) and [27](#) apply to friendly societies and industrial assurance companies who adopted special schemes to cater for changes to the rate of the relief. The paragraphs ensure that the existing framework for dealing with changes to the rate of relief also applies to the repeal of the relief.

45. Paragraphs 26 and 27, (4)(a) and (b) apply the 'change of rate' framework on the basis that the rate of relief is reduced from 12.5 per cent to nil with effect from 6 April 2015, and ensure that entitlement to the zero rate relief is maintained only for the purpose of giving effect to this framework.
46. Paragraphs 26 and 27, (4)(c) and (d) provide scope for friendly societies and industrial assurance companies to make prospective amendments to the special schemes at any time before the relief is removed, and so that amendments to the special schemes may also apply for premiums that are due and payable before 6 April 2015 but that are actually paid after 6 July 2015.
47. Paragraphs 26 and 27, (5) and (6) allow friendly societies and industrial assurance companies to amend sums assured under certain policies, and make consequential amendments to approved schemes where the prospective amendments have been notified to the Financial Services Authority at least 3 months before the amendments are made.
48. Paragraph 28 provides that legislation providing for LAPR will be repealed from a date to be appointed by the Treasury, under a statutory instrument subject to the negative resolution procedure.
49. Paragraphs 29 and 30 provide that variations or substitutions of qualifying policies (within the meaning of the Income Tax Acts) are ignored for certain tax purposes where the variations or substitutions are made for the sole purpose of dealing with the consequences of the abolition of the relief. The effect of these paragraphs is that such changes will not:
 - affect the qualifying policy status of these policies;
 - re-set the period for which a qualifying policy must be held before gains are exempt from income tax; or
 - be treated as exceeding the corporation tax exemption limit for friendly society tax exempt savings plans.

Removal of claw-backs on relief given under section 266 of ICTA

50. Paragraph 31 removes requirements for insurers to 'claw-back' amounts of LAPR from proceeds payable by an insurer on a second or subsequent surrender of some or all rights under a policy. These requirements will no longer apply to such events arising on or after 6 April 2015.

Abolition of income tax relief relating to certain payments made for benefit of family members etc

51. Paragraph 32(1) removes entitlement to this relief by omitting section 459 Chapter 6 of Part 8 of the Income Tax Act 2007 (ITA).
52. Paragraph 32(2) amends and removes several other supporting provisions in ITA and ICTA, as a direct consequence of removing the relief.
53. Paragraph 32(3) to (5) amend section 609 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) which determines the amount of annuity payments that are treated as pension income, and the person liable to tax on this income. The amendment ensures that section 609 of ITEPA continues to apply to the type of annuity for which relief was available under section 459 of ITA, despite the removal of the relief.
54. Paragraph 32(4) provides for section 609 of ITEPA to continue to apply to annuities for the benefit of dependants where all or part of sums paid to acquire these annuities satisfied the conditions for relief in tax years up to and including 2012-13.

*These notes refer to the Finance Act 2012 (c.14)
which received Royal Assent on 17 July 2012*

55. Paragraph 32(5) imports the parts of section 459 of ITA that identify the type of annuities to which section 609 of ITEPA applies. These new parts of section 609 of ITEPA will apply to sums paid in the tax year 2013-14 or later years, in order to acquire annuities for the benefit of dependants.
56. Paragraph 32(6) provides that the various amendments described above will have effect for 2013-14 and subsequent years, so the last year for which the relief is available will be 2012-13.