



Finance Act 2012

2012 CHAPTER 14

PART 3

FRIENDLY SOCIETIES CARRYING ON LONG-TERM BUSINESS

Exempt BLAGAB or eligible PHI business: benefits payable by friendly societies etc

160 Maximum benefits payable to members

- (1) This section imposes restrictions on the entitlement of a person to have at any time outstanding contracts with any one or more friendly societies, registered branches or insurance companies (“relevant persons”) which are—
 - (a) for the assurance of gross sums under business which is afforded exemption from corporation tax under section 153, 156(3) or (5) or 158 (see subsections (2) and (3)), or
 - (b) for the assurance by way of annuity under business which is afforded exemption from corporation tax under any of those provisions (see subsection (4)).
- (2) In the case of contracts for the assurance of gross sums made before 1 September 1987, a person is not entitled to have outstanding at any time with relevant persons contracts which, taking them all together, are for the assurance of more than £750 (but see subsection (9)).
- (3) In the case of contracts for the assurance of gross sums at least one of which was made on or after that date, a person is not entitled to have outstanding at any time with relevant persons—
 - (a) contracts under which the total premiums payable in any period of 12 months exceed £270,
 - (b) contracts made before 1 May 1995 under which the total premiums payable in any period of 12 months exceed £200,
 - (c) contracts made before 25 July 1991 under which the total premiums payable in any period of 12 months exceed £150, or

Status: This is the original version (as it was originally enacted).

- (d) contracts made before 1 September 1990 under which the total premiums payable in any period of 12 months exceed £100.
- (4) In the case of contracts for the assurance by way of annuity, a person is not entitled to have at any time outstanding with relevant persons contracts which, taking them all together, are for the assurance of more than £156 (but see subsection (9)).
- (5) In applying the limits in this section in relation to the total premiums payable in any period of 12 months—
- (a) if the premiums are payable more frequently than annually, ignore an amount equal to 10% of the premiums, and
 - (b) ignore so much of any premium as is charged on the ground that an exceptional risk of death or disability is involved.
- (6) In applying the limits in this section, ignore —
- (a) any bonus or addition which is declared upon an assurance of a gross sum or annuity or which accrues upon an assurance of a gross sum or annuity by reference to an increase in the value of any investments,
 - (b) any policy of insurance or annuity contract by means of which the benefits to be provided under an occupational pension scheme (within the meaning of section 150(5) of FA 2004) are secured,
 - (c) any annuity contract which constitutes, or is issued or held in connection with, a registered pension scheme other than one within paragraph (b), and
 - (d) any increase in a benefit under a friendly society contract (within the meaning given by section 6 of the Decimal Currency Act 1969) resulting from the adoption of a scheme prescribed or approved under subsection (3) of that section.
- (7) In the case of a contract for the assurance of a gross sum made on or after 1 September 1987 but before 1 May 1995, there is a special rule if the amount payable by way of premium under the contract is increased as a result of a variation made—
- (a) in the period beginning with 25 July 1991 and ending with 31 July 1992, or
 - (b) in the period beginning with 1 May 1995 and ending with 31 March 1996.
- (8) The rule is that, in relation to times when the contract has effect as varied, the contract is to be treated for the purposes of this section as made at the time of variation.
- (9) If a person’s outstanding contracts with relevant persons were contracts which were all made before 14 March 1984—
- (a) subsection (2) has effect as if the reference to £750 were a reference to £2,000, and
 - (b) subsection (4) has effect as if the reference to £156 were a reference to £416.

161 Section 160: supplementary

- (1) This section makes further provision for the purposes of section 160 the application of which depends on whether or not a friendly society is an old society.
- (2) For the purposes of this Part an “old society” means—
- (a) a registered friendly society which was registered before 4 February 1966,
 - (b) a registered friendly society which was registered in the period beginning with that date and ending with 3 May 1966 and which on or before 3 May 1966

- carried on any life or endowment business (within the meaning of section 29 of FA 1966), or
- (c) an incorporated friendly society which, before its incorporation, was a registered friendly society within paragraph (a) or (b).
- (3) In applying the limits in section 160(3) in relation to the total premiums payable in any period of 12 months, ignore £10 of the premiums payable under any contract made before 1 September 1987 by an old society.
- (4) In applying the limits in section 160(3), the premiums under any contract for an annuity which was made before 1 June 1984 by a friendly society other than an old society are to be dealt with as if the contract were for the assurance of a gross sum.
- (5) In applying the limits in section 160 in any case where a person has outstanding with relevant persons one or more contracts made after 13 March 1984 and one or more contracts made on or before that date, any contract for an annuity which was made before 1 June 1984 by a friendly society other than an old society is to be regarded—
- (a) as a contract for the annual amount concerned, and
- (b) as a contract for the assurance of a gross sum equal to 75% of the total premiums which would be payable under the contract if it were to run for its full term or, as the case may be, if the member concerned were to die at the age of 75.

162 Section 160: statutory declarations

A friendly society, registered branch or insurance company may require a person to make and sign a statutory declaration—

- (a) that the total amount assured under outstanding contracts entered into by that person with any one or more friendly societies, registered branches or insurance companies (taken together) does not exceed the limits set out in section 160, and
- (b) that the total premiums under those contracts do not exceed those limits.