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STATUTORY INSTRUMENTS

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**1978 No. 1159**

**INCOME TAX**

**The Income Tax (Life Assurance  
Premium Relief) Regulations 1978**

*Made* - - - - *4th August 1978*  
*Coming into Operation* *6th April 1979*

The Commissioners of Inland Revenue in exercise of the powers conferred upon them by paragraph 16 of Schedule 4 to the Finance Act 1976 (as amended by paragraph 10 of Schedule 3 to the Finance Act 1978) hereby make the following Regulations:—

**Citation and commencement**

1. These Regulations may be cited as the Income Tax (Life Assurance Premium Relief) Regulations 1978, and shall come into operation on 6th April 1979.

**Interpretation**

2.—(1) In these Regulations unless the context otherwise requires:—

“the Board” means the Commissioners of Inland Revenue;

“authorised officer” in relation to a life office means an official authorised for the purposes of these Regulations by resolution of the life office's Board, except that—

- (a) in relation to a registered friendly society, it means an official so authorised by resolution of the society's committee of management, and
- (b) in relation to underwriters falling within subsection (2)(a)(ii) of section 19 of the Income and Corporation Taxes Act 1970, it means the underwriting agent through whom their business is carried on;

“deficiency” means a deficiency recoverable under paragraph 5(b) of Schedule 4;

“financial year” in relation to a life office means a period for which the office makes up its accounts;

“four-weekly accounting period” means the period of 28 days commencing on 1st January in a calendar year, and each succeeding period throughout the year being a period of 28 days, except that a period including 29th February and the period commencing on 3rd December shall be extended to 29 days;

“income tax month” means the period beginning on the 6th day of any calendar month and ending on the 5th day of the following calendar month; and in Regulations 6 and 7 below, in relation to an income tax month—

(a) “relevant calendar month” means a calendar month falling partly in the income tax month, and

(b) “component part” means the part falling within it of a relevant calendar month;

“industrial branch business” means industrial assurance business as defined in section 1(2) of the Industrial Assurance Act 1923 or the Industrial Assurance Act (Northern Ireland) 1924;

“insurance” includes a contract for a deferred annuity;

“life office” means any such body as is mentioned in section 19(2)(a) of the Income and Corporation Taxes Act 1970 as amended by paragraph 3 of Schedule 4;

“net of deduction” means net of the deduction authorised by paragraph 5 of Schedule 4 (or by that paragraph as modified by Regulation 4 below);

“ordinary branch business” means life assurance business other than industrial branch business;

“Schedule 4” means Schedule 4 to the Finance Act 1976.

(2) The Interpretation Act 1889 shall apply for the interpretation of these Regulations as it applies for the interpretation of an Act of Parliament.

### **Information to be given to the life office**

**3.—**(1) A life office may at any time by notice in writing require an individual who pays or proposes to pay premiums net of deduction to furnish to the life office a statement under this Regulation.

(2) A statement under this Regulation shall be in such form and contain such particulars as the Board prescribe, and the particulars prescribed shall be such as are necessary for determining whether the person paying the premiums is or will be entitled to pay them net of deduction.

(3) Where an individual has been required to furnish a statement under this Regulation in relation to any insurance and has not furnished it then (until he does so)—

(a) if the statement was required before the first premium in respect of that insurance became due, he shall not be entitled to pay any premiums in respect of that insurance net of deduction, and

(b) in any other case, he shall not be entitled to pay net of deduction any premiums in respect of that insurance falling due more than 60 days after the date on which the notice requiring the statement was issued.

(4) If notwithstanding the furnishing of a statement under this Regulation in relation to any insurance the life office concerned is not satisfied that the premiums are properly payable net of deduction, and the person paying them does not agree to pay them without deduction, the life office shall notify the Board forthwith.

(5) Without prejudice to the generality of paragraph (1) above—

(a) a life office shall not accept payment of premiums net of deduction in respect of any insurance without first obtaining a statement under this Regulation in relation to that insurance, unless the particulars required in the statement are already in the possession of the life office, and

(b) where premiums in respect of any insurance are being paid net of deduction and it appears to the life office that they are no longer properly so payable, the life office shall require

a statement under this Regulation unless the person paying the premiums agrees to pay them without deduction.

(6) Paragraph (5)(a) above shall not apply to insurances made before 1st September 1978 if the life office concerned has established to the satisfaction of the Board that on the basis of the information in the hands of the life office there is not a probability of more than one in ten that the amount claimed to be recoverable for any period under paragraph (5)(b) of Schedule 4 in respect of such insurance will exceed by more than 0.5 per cent. the amount properly recoverable.

(7) Paragraphs (5)(a) and (6) above shall not apply to an insurance made before 6th April 1979 to which paragraph 11 of Schedule 4 applies.

### **Rounding of sums payable by way of net premium**

4.—(1) This Regulation has effect for adjusting in certain cases the net amount payable by way of premium after the deduction authorised under paragraph 5 of Schedule 4, and in those cases the amount treated as deducted and retained under that paragraph shall also be adjusted accordingly.

(2) In the case of—

- (a) an industrial assurance contract, as defined in any Regulations made under paragraph 13 of Schedule 4, or
- (b) a friendly society contract, as defined in any such Regulations, in respect of which the premiums do not (before any deduction under paragraph 5 of Schedule 4) exceed £4 every four weeks,

if the net amount payable is otherwise not a multiple of one new halfpenny it shall be adjusted and shall—

- (i) where the premium is one to which a scheme adopted under Regulations made under paragraph 13 of Schedule 4 applies, be the amount payable in accordance with the scheme, and
- (ii) in any other case be rounded to the nearer new halfpenny or, if it is a multiple of one half of one new halfpenny, to the nearer new penny.

(3) In the case of any insurance not included in paragraph (2)(a) or (b) above, if the net amount payable is otherwise not a multiple of one new penny it shall be rounded to the nearer new penny or, if it is a multiple of one new halfpenny, to the nearer even new penny.

### **Deficiency claims: introductory**

5.—(1) Sums recoverable by a life office under paragraph 5(b) of Schedule 4 shall be recovered on a claim made to the Board for the purpose under these Regulations.

(2) A claim for any period allowed by these Regulations shall be a claim relating to the deficiency arising in respect of premiums received in that period, and accordingly references to premiums “for” a period are to premiums received in that period.

(3) Subject to paragraph (4) below a claim shall be for the claimant's financial year, and is referred to in these Regulations as an “annual claim”.

(4) A claim may also be made in accordance with Regulation 6 or 8 below for a period shorter than the claimant's financial year, and is referred to in these Regulations as an “interim claim”.

(5) A life office which carries on both industrial branch business and ordinary branch business may make annual and interim claims separately for business of each branch.

### **Interim claims in advance**

6.—(1) An interim claim for a period allowed by paragraphs (2) and (3) below may be made at any time within one month before the period for which it is made, and is referred to in these Regulations as an “interim claim in advance”.

(2) The three kinds of period for which an interim claim in advance may be made are:—

- (a) a calendar month, or
- (b) an income tax month, or
- (c) in the case of a claim relating to industrial branch business only, a four-weekly accounting period.

(3) Interim claims in advance made by one life office may not (except where a change is authorised by prior approval of the Board) be made for periods of different kinds:

Provided that if the first claim made for industrial branch business (or the first such claim made after an authorised change) is a separate claim made for a four-weekly accounting period, this paragraph shall then apply separately in relation to industrial branch business and ordinary branch business.

(4) An interim claim in advance for a period shall be based on an estimate of the deficiency that will arise in respect of premiums for that period, and the estimate shall be certified by an authorised officer of the claimant as being the best estimate that can reasonably be made of the deficiency; and if the claim is for an income tax month the estimate shall show the part of the deficiency attributed to each component part of the month.

(5) If the Board are satisfied with the estimate they shall pay the estimated amount of the deficiency to the claimant before the end of the period for which the claim is made; if they are not so satisfied, they shall pay to the claimant before the end of the period such lesser amount if any as in their estimation will approximate to the deficiency.

### **Supplementary statements**

7.—(1) When a payment has been made to a life office under Regulation 6(5) above on an interim claim in advance, the life office shall deliver to the Board a supplementary statement under this Regulation, and (except where paragraph (5)(b) below applies) shall deliver the statement within two months after the end of the period for which the claim was made.

(2) The supplementary statement shall be a statement correcting (or confirming) the estimate of the deficiency given in accordance with Regulation 6(4) above, and shall—

- (a) be based as far as possible on the amount of the premiums actually received in the period covered by the statement, and only as far as may be necessary on a revised estimate, and
- (b) (subject to paragraph (5) below) be for the same period as the interim claim in advance;

and any estimate contained in the supplementary statement shall be certified by an authorised officer of the life office as the best estimate that can reasonably be made.

(3) If the supplementary statement shows a deficiency greater than the payment made under Regulation 6(5), the Board shall if satisfied with the statement pay the amount of the difference to the life office forthwith by way of supplementary payment on the claim; if the supplementary statement shows a deficiency less than the payment made under Regulation 6(5), the life office shall repay the amount of the difference to the Board with the statement.

(4) If in respect of an interim claim on which a payment has been made under Regulation 6(5) above a life office fails to deliver a supplementary statement within the time required by this Regulation, the amount of the payment shall immediately be recoverable by the Board in the same manner as tax charged by an assessment which has become final and conclusive.

(5) Where the interim claim in advance was for an income tax month the life office shall (instead of delivering a statement for that month) deliver a supplementary statement for each of the relevant calendar months, and the supplementary statement for a relevant calendar month shall—

- (a) provide the information required by paragraph (2) above in respect of that month, and
- (b) be delivered within two months and five days after the end of that month.

### **Interim claims in arrears**

**8.**—(1) An interim claim for a period allowed by paragraph (2) below may be made at any time within six months after the end of the period for which it is made.

(2) The period for which a claim may be made under this Regulation shall be one which—

- (a) is not shorter than one calendar month, and
- (b) falls wholly within the claimant's same financial year, and
- (c) does not include any part of a period in respect of which a payment was made under Regulation 6(5) above (unless the payment in respect of that period or that part was recovered under Regulation 7(4) above).

(3) A claim under this Regulation may only be made to recover the deficiency arising in respect of premiums actually received and may not be based on an estimate.

(4) If the deficiency claimed is established to the Board's satisfaction, they shall pay the amount of the deficiency to the claimant; if they are not so satisfied they shall pay to the claimant any lesser amount established to their satisfaction.

### **Annual claims**

**9.**—(1) An annual claim for the claimant's financial year may, subject to paragraph (2) below, be made at any time within six years after the end of the financial year.

(2) Where in relation to any financial year a life office has received and not repaid any payment on a relevant interim claim, it shall within one year after the end of the financial year make an annual claim to establish the deficiency for that year.

In this Regulation “relevant interim claim” means, in relation to a financial year, an interim claim for a period falling wholly or partly within that year.

(3) An annual claim shall be a claim to establish and, so far as not already recovered, to recover the deficiency arising in respect of premiums actually received in the year and may not be based on an estimate.

(4) An annual claim required under paragraph (2) above shall bring into account payments made on relevant interim claims, and shall apportion as may be necessary any payment made on a relevant interim claim for any period falling partly in a different year; and for the purpose of this Regulation the “aggregate of the relevant interim payments” means the aggregate of the payments made (and not repaid) on relevant interim claims but excluding any part of a payment apportioned to a different year.

(5) Where the aggregate of the relevant interim payments shown by a claim exceeds the deficiency for the year shown by the claim, the life office shall repay the amount of the excess to the Board with the claim.

(6) If a life office fails to make an annual claim required under paragraph (2) above within the time limited by that paragraph, the Board may issue a notice to the life office showing the aggregate of the relevant interim payments for the year, and stating that the Board are not satisfied that the deficiency for the year exceeds a lower amount stated in the notice.

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(7) If an annual claim is not delivered to the Board within two weeks after the issue of a notice under paragraph (6) above the amount of the difference between the aggregate and the lower amount stated in the notice shall immediately be recoverable by the Board in the same manner as tax charged by an assessment which has become final and conclusive.

(8) Where an annual claim has been made and the claimant subsequently discovers that an error or mistake has been made in the claim, the claimant may make a supplementary claim within the time allowed by paragraph (1) above.

### **Deficiency claims: supplementary provisions**

**10.**—(1) Section 42 of the Taxes Management Act 1970 shall not apply to claims under these Regulations.

(2) No appeal shall lie from the Board's decision on an interim claim.

(3) An appeal shall lie to the Special Commissioners from the Board's decision on an annual claim, and the appeal shall be brought by giving written notice to the Board within 30 days of receipt of written notice of the decision.

(4) No payment or repayment made or other thing done on or in relation to an interim claim or a notice under Regulation 9(6) above shall prejudice the decision on an annual claim.

(5) Part V of the Taxes Management Act 1970 (appeals and other proceedings) shall apply to an appeal under paragraph (3) above, and on an appeal the Special Commissioners may vary the decision appealed against whether or not the variation is to the advantage of the appellant.

(6) All such payments and repayments shall be made as are necessary to give effect to the Board's decision on an annual claim, or to any variation of that decision on appeal.

(7) Claims and supplementary statements under these Regulations shall be in such form and contain such particulars as the Board prescribe and shall be signed by an authorised officer of the life office; and forms prescribed for annual claims may require a report to be given by the life office's auditor.

(8) Where for the purposes of an annual claim for a financial year it is necessary to apportion any payment made on an interim claim for a period falling partly within and partly outside that year, the apportionment shall be made in such manner as the Board prescribe.

### **Information from policyholders**

**11.** The Board may by notice in writing require any person who has or had a policy of life insurance or contract for a deferred annuity with a life office or who pays or paid premiums under such a policy or contract to furnish them within such time as they may direct with such information (including copies of relevant documents) as they require for the purposes of section 19 of the Income and Corporation Taxes Act 1970 or of Schedule 4.

### **Inspection of records**

**12.**—(1) Every person to whom premiums are paid in respect of which a claim is made under these Regulations shall, whenever required to do so, make available for inspection by an authorised officer of the Board all such books, documents and other records in his possession or under his control containing information relating to—

(a) such premiums and the policies or contracts under which such premiums are paid, or

(b) the persons holding such policies or contracts or paying such premiums,

as may reasonably be required for determining whether the deficiency for which any claim is made under these Regulations is properly recoverable.

(2) Where records are maintained by computer the person required to make them available for inspection shall provide the officer making the inspection with all facilities necessary for obtaining information from them.

(3) Every statement made under Regulation 3 above shall be preserved by the life office to which it is made (or which is the insurer for the time being), in such manner as may be approved by the Board so as to be available for inspection under this Regulation, until three years after the termination of the insurance or contract to which it relates.

By order of the Commissioners of Inland Revenue.

4th August 1978

*J. Webb*  
Secretary

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## EXPLANATORY NOTE

These Regulations supplement Schedule 4 to the Finance Act 1976 which (as amended by Schedule 3 to the Finance Act 1978) provides a new system for income tax relief on life assurance premiums.

As from 6th April 1979 an individual who pays a premium on which relief is due will normally be entitled to deduct and retain an appropriate sum for relief and the Inland Revenue will reimburse the life office for the consequent deficiency in its premium receipts.

Regulation 3 provides for the furnishing to life offices by persons paying premiums of such information as may be necessary for determining the entitlement to make deductions. Regulation 4 provides for rounding to a multiple of one new penny or one new halfpenny any payment which after deduction of the appropriate relief is not such a multiple. Regulations 5 to 10 deal with the claim procedure under which life offices recover the deficiency in premium receipts. Regulations 11 and 12 give the Revenue power to obtain necessary information from policyholders and life offices.