
STATUTORY INSTRUMENTS

1992 No. 1655

The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1992

Modifications of section 431(2) of the Taxes Act

5.—(1) Paragraphs (2) to (6) prescribe modifications of subsection (2) of section 431 of the Taxes Act⁽¹⁾ so far as it applies to the life or endowment business carried on by registered friendly societies.

(2) The following definitions shall be inserted in the appropriate places in alphabetical order—

“directive society” means a registered friendly society which carries on long term business in the United Kingdom—

- (a) if its rules do not contain provision for calling up additional contributions, for reducing benefits or for claiming assistance from other persons who have undertaken to provide it, or
- (b) if its contribution income from long term business (without any deduction for reinsurance cessions) exceeded 500,000 ECU for each of any three consecutive relevant periods of account,

and for the purposes of paragraph (b) above—

- (i) “ECU” means the unit of account of that name defined in Council Regulation (EEC) No. 3180/78⁽²⁾, and the exchange rates as between the ECU and pounds sterling to be applied for each year beginning on 31st December shall be the rates applicable on the last day of the preceding October for which exchange rates for the currencies of all the member States were published in the Official Journal of the Communities, and
- (ii) a relevant period of account is one ending on or after 1st January 1985;

“non-directive society” means a registered friendly society other than a directive society;

“tax exempt basic life assurance and general annuity business” means basic life assurance and general annuity business the profits arising from which are exempt from tax by virtue of section 460(1);

“tax exempt basic life assurance business” means basic life assurance business the profits arising from which are exempt from tax by virtue of section 460(1);

“tax exempt general annuity business” means general annuity business the profits arising from which are exempt from tax by virtue of section 460(1);

“taxable basic life assurance and general annuity business” means basic life assurance and general annuity business other than tax exempt basic life assurance and general annuity business;

“taxable basic life assurance business” means basic life assurance business other than tax exempt basic life assurance business;

(1) Section 431(2) was amended by paragraph 1(2) of Schedule 6 to the Finance Act 1990 and by paragraph 2 of Schedule 7 to the Finance Act 1991.

(2) OJ No. L 379, 30.12.78, p.1.

“taxable general annuity business” means general annuity business other than tax exempt general annuity business;

“valuation report”—

- (a) in the case of a directive society, means the report mentioned in regulation 11(5) of the Friendly Societies (Long Term Insurance Business) Regulations 1987(3); and
- (b) in the case of a non-directive society, means the report mentioned in section 41(1)(b) of the Friendly Societies Act 1974(4) or section 34(1)(b) of the Friendly Societies Act (Northern Ireland) 1970(5).

(3) For the definition of liabilities there shall be substituted—

““liabilities”—

(a) in the case of a directive society—

- (i) subject to sub-paragraph (ii) below, means the liabilities of the society estimated as for the purposes of its valuation report (excluding any that have fallen due or been reinsured and any not arising under or in connection with policies or contracts effected as part of the society’s insurance business);
- (ii) where the society has a fund under the control of a central body to which every branch is bound to contribute, and the society’s valuation report includes business of a branch which falls outside the business included in the society’s annual return under section 43 of the Friendly Societies Act 1974 or section 36 of the Friendly Societies Act (Northern Ireland) 1970, means, in relation to the central body, such part of the liabilities of the society estimated as for the purposes of its valuation report as would have been included in that report if it had been limited to the business included in the society’s annual return (excluding any liabilities that have fallen due or been reinsured and any not arising under or in connection with policies or contracts effected as part of the society’s insurance business); and

(b) in the case of a non-directive society, means the liabilities of the society estimated as for the purposes of its valuation report (excluding any that have fallen due or been reinsured and any not arising under or in connection with policies or contracts effected as part of the society’s insurance business) but if the society has not sent to the registrar a valuation report as at the beginning or end of the period (or both) then the liabilities of the society as at any relevant date shall be estimated on a basis compatible with that used in the previous valuation report and any subsequent valuation report;”.

(4) For the definition of “long term business” there shall be substituted—

““long term business” means—

- (a) insurance business of any of the classes specified in Part I of Schedule 1 to the Friendly Societies (Long Term Insurance Business) Regulations 1987, and
- (b) the effecting and carrying out of that part of a contract whose principal object is within any of the classes specified in Part I of Schedule 1 to those Regulations which contains related and subsidiary provisions of insurance business of one or both of the classes specified in Part II of Schedule 1 to those Regulations;”.

(5) For the definition of “periodical return” there shall be substituted—

““periodical return”—

(a) in the case of a directive society, means its valuation report; and

(3) S.I.1987/2132.

(4) 1974 c. 46.

(5) 1970 c. 31 (N.I.).

- (b) in the case of a non-directive society, means its annual return under section 43 of the Friendly Societies Act 1974 or section 36 of the Friendly Societies Act (Northern Ireland) 1970;”.
- (6) For the definition of “value” there shall be substituted—
- ““value”—
- (a) in relation to the assets of a directive society, means the value of the assets as taken into account for the purposes of the society’s valuation report; and
 - (b) in relation to the assets of a non-directive society, means the value of the assets as taken into account for the purposes of the society’s valuation report, but if the society has not sent to the registrar a valuation report as at the beginning or end of the period (or both) then the value of the assets as at any relevant date shall be determined on a basis compatible with that used in the previous valuation report and any subsequent valuation report;”.