
STATUTORY INSTRUMENTS

1996 No. 1485

INCOME TAX

The Exchange Gains and Losses (Insurance Companies) (Amendment No. 2) Regulations 1996

<i>Made</i>	- - - -	<i>6th June 1996</i>
<i>Laid before the House of Commons</i>	- - - -	<i>7th June 1996</i>
<i>Coming into force</i>	- -	<i>30th June 1996</i>

The Treasury, in exercise of the powers conferred on them by sections 167(1) and (4) to (6) and 168(2) to (5) of the Finance Act 1993⁽¹⁾, hereby make the following Regulations:

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Exchange Gains and Losses (Insurance Companies) (Amendment No. 2) Regulations 1996 and shall come into force on 30th June 1996.

(2) Regulation 3 shall have effect in relation to accounting periods ending on or after 30th June 1996.

Interpretation

2. In these Regulations “the principal Regulations” means the Exchange Gains and Losses (Insurance Companies) Regulations 1994⁽²⁾ and “regulation” means a regulation of the principal Regulations.

Amendments to the principal Regulations

3. After regulation 5 there shall be inserted the following regulation—

“5A.—(1) In any case where, immediately before 1st April 1996, an insurance company holds an asset in exempt circumstances, the definition of “relevant qualifying asset” in paragraph 5(8) of Schedule 15 to the Finance Act 1996⁽³⁾ shall be modified so as to except from that definition, in relation to an insurance company, an asset held in exempt circumstances immediately before 1st April 1996.

(1) 1993 c. 34.

(2) S.I. 1994/3231, amended by S.I. 1996/673.

(3) 1996 c. 8.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

(2) References in paragraph (1) above to exempt circumstances shall be construed in accordance with paragraph 3 of Schedule 17 to the 1993 Act, but as if references in that paragraph to a currency were references to an asset.”

4. In regulation 8(1)(4) for the words “regulations 9 to 12” there shall be substituted the words “regulations 8A to 12”.

5. After regulation 8(5) there shall be inserted the following regulation—

“8A.—(1) An insurance company may elect that the enactments specified in paragraph (2) below shall not apply on the disposal of regulation 7 assets, and that, in its application to the loan relationships represented by those assets, Chapter II of Part IV of the Finance Act 1996 shall apply with the modification that paragraph 4 of Schedule 9 to that Act shall be omitted.

(2) The enactments specified in this paragraph are regulation 8 and sections 117A and 117B of the 1992 Act(6).

(3) An election under this regulation—

- (a) shall have effect in relation to all regulation 7 assets (whether held on 1st April 1996 or acquired subsequently),
- (b) shall be made by notice in writing given to an officer of the Board, either by 30th September 1996 or within three months of the end of the accounting period of the company in which it acquired a regulation 7 asset for the first time, whichever is the later, and
- (c) shall be irrevocable.”

*Derek Conway
Simon Burns*

Two of the Lords Commissioners of Her
Majesty’s Treasury

6th June 1996

(4) Regulations 7 to 12 were added by regulation 4 of S.I. 1996/673.

(5) Regulations 7 to 12 were added by regulation 4 of S.I. 1996/673.

(6) Sections 117A and 117B of the Taxation of Chargeable Gains Act 1992 (c. 12) were inserted by paragraph 62 of Schedule 14 to the Finance Act 1996.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Exchange Gains and Losses (Insurance Companies) Regulations 1994 (S.I. [1994/3231](#) amended by S.I. [1996/673](#)) (“the principal Regulations”).

Regulation 1 provides for citation, commencement and effect, and regulation 2 for interpretation.

Regulation 3 inserts a new regulation 5A in the principal Regulations. The new regulation provides that, in any case where, immediately before 1st April 1996, an insurance company holds an asset in exempt circumstances (an expression to be construed in accordance with paragraph 3 of Schedule 17 to the Finance Act 1993), the definition of “relevant qualifying asset” in paragraph 5(8) of Schedule 15 to the Finance Act 1996 (“Schedule 15” and “the 1996 Act” respectively) shall be modified so as to except such an asset from the definition. Provisions in Schedule 15 will accordingly apply on the basis that an asset held by an insurance company in exempt circumstances immediately before 1st April 1996 does not constitute a relevant qualifying asset for the purposes of those provisions.

Regulation 4 makes an amendment to regulation 8 of the principal Regulations consequential upon the insertion, by regulation 5 of these Regulations, of a new regulation 8A in the principal Regulations.

Regulation 5 inserts a new regulation 8A in the principal Regulations. The new regulation provides that an insurance company may elect, in relation to all its regulation 7 assets, that on the disposal of those assets the amount of the chargeable gains or allowable losses shall not be calculated in accordance with regulation 8 of the principal Regulations and sections 117A and 117B of the Taxation of Chargeable Gains Act 1992 (certain assets not to be treated as qualifying corporate bonds), but that Chapter II of Part IV of the 1996 Act (loan relationships), except for paragraph 4 of Schedule 9 to that Act, shall apply to those assets. A regulation 7 asset is one specified in regulation 7 of the principal Regulations, which specifies an asset which represents a loan relationship of a company, is denominated or expressed in a currency other than sterling, and is held in exempt circumstances (construed in accordance with paragraph 3 of Schedule 17 to the Finance Act 1993).