
STATUTORY INSTRUMENTS

1997 No. 473

The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997

Modifications of section 436 of the Taxes Act

20.—(1) Paragraph (2) prescribes a modification of section 436 of the Taxes Act so far as it applies to the life or endowment business carried on by non-directive societies—

- (a) which carry on any pension business which is linked business, and
- (b) to which section 432E of the Taxes Act does not apply,

in relation to accounting periods beginning on or after 1st January 1995; and paragraphs (3) and (4) prescribe further modifications of that section so far as it applies to the life or endowment business carried on by such non-directive societies in relation to accounting periods ending on or after the date on which these Regulations come into force.

(2) After subsection (5) the following subsections shall be inserted—

“(6) Subsection (7) below applies where the amount shown in respect of Item 3 of Part I of Schedule 7 to the Friendly Societies (Accounts and Related Provisions) Regulations 1994⁽¹⁾ (“the Item 3 amount”) is a positive amount; and subsection (8) below applies where the Item 3 amount is a negative amount.

(7) The amount of the increase in liabilities to policy holders (that is to say, the excess of the society’s closing liabilities to policy holders over its opening liabilities to policy holders) that is taken into account for the purpose of computing the profits arising to the society from pension business shall be the Item 3 amount.

(8) The amount of the decrease in liabilities to policy holders (that is to say, the excess of the society’s opening liabilities to policy holders over its closing liabilities to policy holders) that is taken into account for the purpose of computing the profits arising to the society from pension business shall be the Item 3 amount.”

(3) At the beginning of subsection (6) (inserted by paragraph (2)) there shall be inserted the words “Subject to subsection (9) below,”.

(4) After subsection (8) (inserted by paragraph (2)) the following subsections shall be inserted—

“(9) Subject to subsection (11) below, in a case where, for any period of account, income or gains arising to a society—

- (a) derive directly or indirectly from a transaction or transactions with a member or members of the society, and
- (b) exceed the amount of the income or gains which would have arisen to the society if any transaction mentioned in paragraph (a) above had been a transaction at arm’s length,

the closing liabilities of the society shall be reduced by the amount of the excess; but the opening liabilities for the next following period of account shall not be increased by the like amount.

(1) S.I. 1994/1983.

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

(10) For the purposes of subsection (9) above a person associated with a member shall be treated as a member; and “associated” shall be construed in accordance with section 783(10)(2).

(11) In any case where—

- (a) there has been a transaction consisting of the disposal of an asset to a friendly society (“the earlier disposal”),
- (b) section 17(1)(a) of the 1992 Act has applied on the earlier disposal,
- (c) the friendly society subsequently makes a disposal of the asset (“the later disposal”), and
- (d) subsection (9) above applies (or would, apart from this subsection, apply) to the later disposal,

any gains accruing to the society on the later disposal shall, for the purposes of subsection (9) above, be reduced by the excess (if any) of the amount treated, by virtue of the application of section 17(1)(a) of the 1992 Act, as the consideration for the earlier disposal over the actual amount of the consideration for the earlier disposal.”