

---

STATUTORY INSTRUMENTS

---

**2001 No. 3975**

**The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2001**

**Amendment of the principal Regulations**

6. After regulation 21 insert—

**“Modification of section 438B of the Taxes Act**

**21A.**—(1) Paragraphs (2) to (4) prescribe modifications of section 438B of the Taxes Act<sup>(1)</sup> so far as it applies to friendly societies.

(2) In subsection (1) before the words “basic life assurance and general annuity business” there shall be inserted the word “taxable”.

(3) In subsection (3) before the words “basic life assurance and general annuity business” there shall be inserted the word “taxable”.

(4) In paragraph (b) of subsection (5) before the words “BLAGAB profits” there shall be inserted the word “taxable”.

(5) This regulation has effect from 6th April 2001.

**21B.**—(1) Paragraph (2) prescribes a modification of section 438B of the Taxes Act so far as it applies to—

(a) non-directive societies, and

(b) incorporated directive friendly societies to which neither subsection (2) nor subsection (3) of section 37 of the Friendly Societies Act 1992<sup>(2)</sup> applies.

(2) After subsection (6) there shall be added—

“(7) In subsection (1) above “an asset of its long-term business fund” means—

(a) an asset held primarily for the purposes of long-term business carried on by the society; and

(b) the relevant fraction of each asset held neither primarily for the purposes of long term business nor primarily for the purposes of some other specific business carried on by the society.

(8) For the purposes of subsection (7) above “the relevant fraction”, subject to subsection (9) below, is—

$$\frac{(0.5 \times (\text{OLB} + \text{CLB})) - (0.5 \times (\text{OLA} + \text{CLA}))}{(0.5 \times (\text{OTB} + \text{CTB})) - (0.5 \times (\text{OTA} + \text{CTA}))}$$

Here—

---

(1) Section 438B was inserted by paragraph 5 of Schedule 25 to the Finance Act 2001 (c. 9) and amended by article 52(1) of S.I.2001/3629.

(2) 1992 c. 40.

**OLB** and **CLB** are respectively the balances brought forward and carried forward in the fund accounts for those funds within which the society conducts its long-term business;

**OLA** and **CLA** are respectively the opening and closing values of the assets already recognised at the beginning and end of the period of account as held for the purposes of long-term business carried on by the society;

**OTB** and **CTB** are respectively the total balances brought forward and carried forward on all the society's fund accounts; and

**OTA** and **CTA** are respectively the opening and closing values of the assets already recognised at the beginning and end of the period of account as held for the purposes of long-term business or for the purposes of other specific business carried on by the society.

(9) A balance on a general management fund or a general reserve fund shall be excluded from all the values and balances involved in the calculation of the relevant fraction for the purposes of subsection (7) above.

(10) For the purposes of subsection (8) above references to balances brought forward and carried forward are reference to balances shown as brought forward and carried forward in the society's periodical return."

(3) This regulation has effect from 6th April 2001."