

EXPLANATORY MEMORANDUM TO
THE INSURANCE COMPANIES (TAXATION OF REINSURANCE BUSINESS)
(AMENDMENT) REGULATIONS 2007

2007 No. 2087

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs (HMRC) and is laid before the House of Commons by Command of Her Majesty.

2. Description

2.1 The regulations amend the Insurance Companies (Taxation of Reinsurance Business) Regulations 1995 (SI 1995/1730 as amended) to take into account changes made to the corporation tax law applying to insurance companies made by Finance Act 2007 (FA 2007), especially Schedules 7 and 8. They also make minor corrections and updating.

2.2 The regulations will have effect generally for periods of account and accounting periods beginning on or after 1st January 2007. The power to make the regulations with retrospective effect is in paragraph 58 of Schedule 8 to the Finance Act 1995.

3. Matters of Special interest to the Select Committee on Statutory Instruments

None

4. Legislative Background

The regulations are made under sections 431C(1), 431G(3)(a) and 442A of the Income and Corporation Taxes Act 1988 (ICTA). They amend SI 1995/1730 which makes provision in relation to the calculation of the investment return on an insurance policy or annuity contract which is the subject of a reinsurance arrangement. This is the first exercise of the power under section 431G(3) which is inserted into ICTA by Schedule 8 to FA 2007.

5. Extent

The instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy Background

7.1 The regulations arise as a result of legislation in FA 2007 amending the tax legislation relating to companies carrying on life assurance business in the United Kingdom. The legislation in FA 2007 is part of the outcome of a continuing consultation process started in May 2006 with the publication of a Technical Consultative Document. The regulations have been circulated in draft to interested bodies and to the Public Bill Committee for the Finance Bill.

7.2 Guidance on the effect of the regulations will be included in HMRC's Life Assurance Manual.

8. Impact

8.1 A preliminary Regulatory Impact Assessment was included in the Technical Consultative Document – see <http://www.hmrc.gov.uk/life-assurance/consultation.htm>. A full Regulatory Impact Assessment may be published when the consultation is complete.

8.2 The impact on the public sector is nil.

9. Contact

Richard Thomas at HM Revenue and Customs Tel 020 7147 2558 or e-mail richard.thomas@hmrc.gsi.gov.uk.