

**EXPLANATORY MEMORANDUM TO**  
**THE OVERSEAS LIFE INSURANCE COMPANIES (AMENDMENT)**  
**REGULATIONS 2007**

**2007 No. 2146**

**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 Overseas Life Insurance Companies Regulations 2006 (SI 2006/3271) to take into account changes made to the tax legislation applying to insurance companies by the Finance Act 2007 (FA 2007), especially Schedules 7 to 10. They also make amendments to cater for the fact that some overseas life insurance companies based in the European Economic Area use International Accounting Standards rather than the EC Insurance Accounts Directive in preparing their accounts.

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 section 156(4) of the Finance Act 2003 (FA 2003).

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

None

**4. Legislative Background**

Non-resident companies carrying on life assurance business through a permanent establishment in the UK are required by section 156 of FA 2003 to be charged to corporation tax in the same way as UK resident company but with modifications to reflect the fact that they are only chargeable on their UK profits and other variations in treatment. The regulations amend SI 2006/3271 which provides for those modifications.

**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 on the Finance Bill.

7.2 There has been consultation on the regulations with firms acting for the (very few) companies to which the regulations apply and with industry representative bodies.

7.3 Guidance on the taxation of overseas life insurance companies and of 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**

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