

EXPLANATORY MEMORANDUM TO
THE GROUP RELIEF FOR OVERSEAS LOSSES (MODIFICATION OF THE
CORPORATION TAX ACTS FOR NON-RESIDENT INSURANCE
COMPANIES) (NO. 2) (AMENDMENT) REGULATIONS 2007

2007 No. 2147

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 Group Relief for Overseas Losses (Modification of the Corporation Tax Acts for Non-resident Insurance Companies) (No. 2) Regulations 2006 (SI 2006/3389) to take into account changes made to the tax legislation applying to insurance companies made by Finance Act 2007 (FA 2007), especially Schedules 7 to 10.

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 16(5) of Schedule 18A to the Income and Corporation Taxes Act 1988 (ICTA).

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

None

4. Legislative Background

The regulations are made under paragraph 16(2) to (5) of Schedule 18A to ICTA. They amend SI 2006/3389 which modifies, in relation to insurance companies, provisions introduced by the Finance Act 2006 which allow certain non-resident companies to surrender losses to a UK resident company in the same group.

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.

7.2 Guidance on the primary legislation is in HMRC's Company Tax Manual at CTM 81500 onwards and guidance on the regulations will be included in HMRC's Life Assurance Manual and General Insurance 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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