
EXPLANATORY NOTE

(This note is not part of the Order)

These Regulations provide a new procedure for obtaining the exemption for purchased life annuities under sections 717 to 719 of the Income Tax (Trading and Other Income) Act 2005 (“the 2005 Act”). This new procedure reflects the amendments and repeals effected by section 46 of the Finance Act 2007 of sections 717, 723 and 873 of the 2005 Act, and of sections 656 and 658 of the Income and Corporation Taxes Act 1988. As a consequence, the Income Tax (Purchased Life Annuity) Regulations 1956 (S.I. 1956/1230, as amended by S.I. 1960/2308, S.I. 1990/626 and S.I. 1991/2808) are revoked, save for the transitional provision in relation to the mortality tables to be used for annuities purchased in the 2007-2008 tax year (regulation 27).

Those amendments and revocations come into force on 6th April 2008.

Part 1 of these Regulations contains introductory provisions, including provisions as to the interpretation and application of the Regulations.

Part 2 sets out the procedure to be followed where an annuitant has bought a purchased life annuity. Regulation 7 prescribes the mortality tables to be used by the insurer when calculating the exempt capital element. The Tables can be obtained from either the Institute of Actuaries (whose address is Staple Inn Hall, High Holborn, London WC1V 7QJ) or the Faculty of Actuaries (whose address is Maclaurin House, 18 Dublin Street, Edinburgh EH1 3PP). They can also be downloaded from the following website, on payment of a fee: www.actuaries.org.uk/Display_Page.cgi?url=/library/cm17/welcome.xml.

Part 3 sets out additional requirements where an annuitant has bought a purchased life annuity from a non-United Kingdom insurer.

Part 4 deals with record-keeping and provision of information. A relevant person is required to keep relevant records in respect of each annuity for 3 years (regulations 21 and 24).

Part 5 makes miscellaneous and transitional provision.

A full regulatory impact assessment has not been produced for this instrument as no significant impact on the private or voluntary sectors is foreseen.