S C H E D U L E S

SCHEDULE 9

Section 50.

FRIENDLY SOCIETIES

Tax exempt life or endowment business

1   (1) Section 460 of the Taxes Act 1988 (exemption from tax in respect of life or endowment business) shall be amended as follows.

(2) Subsection (2) shall be amended as mentioned in sub-paragraphs (3) to (6) below.

(3) Before sub-paragraph (i) of paragraph (c) there shall be inserted—

"(ai) where the profits relate to contracts made on or after the day on which the Finance Act 1991 was passed, of the assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £200 or of the granting of annuities of annual amounts exceeding £156;".

(4) In that sub-paragraph, for "31st August 1987" there shall be substituted "31st August 1990 but before the day on which the Finance Act 1991 was passed".

(5) In sub-paragraph (ia) of paragraph (c), after "£100" there shall be inserted "or of the granting of annuities of annual amounts exceeding £156".

(6) At the end of that paragraph, for "and" there shall be substituted—

"(ca)   shall not apply to so much of the profits arising from life or endowment business as is attributable to contracts for the assurance of gross sums made on or after 20th March 1991 and expressed at the outset not to be made in the course of tax exempt life or endowment business; and".

(7) In subsection (3)—

(a)   for "subsection (2)(c)(i) or (ia)" there shall be substituted "subsection (2)(c) (ai), (i) or (ia)";

(b)   for "subsection (2)(c)(i)" there shall be substituted "subsection (2)(c)(ai), (i) or (ia)".

(8) After subsection (4) there shall be inserted—

"(4A) Subsection (4B) below applies to contracts for the assurance of gross sums under tax exempt life or endowment business made after 31st August 1987 and before the day on which the Finance Act 1991 was passed.

(4B) Where the amount payable by way of premium under a contract to which this subsection applies is increased by virtue of a variation made in the period beginning with the day on which the Finance Act 1991 was passed and

ending with 31st July 1992, the contract shall be treated for the purposes of subsection (2)(c) above as made at the time of the variation.”

2 After section 462 of that Act there shall be inserted—

“462A Election as to tax exempt business

(1) Where a registered friendly society has tax exempt life or endowment business which includes contracts—

  (a) made before 20th March 1991, and

  (b) expressed at the outset not to be made in the course of such business,

the society may by notice to the inspector elect that section 460(1) shall not apply to so much of the profits arising from such business as is attributable to such contracts.

(2) Where a registered friendly society has tax exempt life or endowment business which includes contracts falling within subsection (3) below, the society may by notice to the inspector elect that section 460(1) shall not apply to so much of the profits arising from such business as is attributable to such contracts.

(3) A contract falls within this subsection if—

  (a) at the outset, it is neither expressed to be made in the course of tax exempt life or endowment business nor expressed not to be so made but is assumed by the society not to be so made, and

  (b) the policy issued in pursuance of it falls within paragraph 21(1)(b) of Schedule 15.

(4) An election under subsection (2) above shall only be valid if the society satisfies the inspector (or the Commissioners on appeal) that it is possible to identify all the contracts to which the election relates.

(5) If the inspector decides that he is not satisfied as mentioned in subsection (4) above, he shall give notice of his decision to the society; and section 42(3), (4) and (9) of, and paragraph 1(1) to (1E) of Schedule 2 to, the Management Act shall apply in relation to such a decision as they apply in relation to a decision of an inspector on a claim.

(6) An election under subsection (1) or (2) above shall have effect for accounting periods ending on or after the day on which the Finance Act 1991 was passed.

(7) No election under subsection (1) or (2) above may be made after 31st July 1992.

(8) Where a friendly society has made an election under subsection (1) or (2) above, then, for any accounting period for which the election has effect—

  (a) section 460(1) shall apply to profits arising from life or endowment business which would have been included in the society’s tax exempt life or endowment business had no account been taken of the contracts to which the election relates, and

  (b) section 462(1), in its application to the society, shall have effect with the insertion after “societies” of “and all policies issued in pursuance of contracts to which an election under section 462A(1) or (2) relates”.”

Maximum benefits payable to members

3   (1) Section 464 of that Act (maximum benefits payable to members) shall be amended as follows.

   (2) In subsection (3), before paragraph (a) there shall be inserted—
       "(za)   contracts under which the total premiums payable in any period of 12 months exceed £200; or".

   (3) In paragraph (a) of subsection (3), after "contracts" there shall be inserted "made before the day on which the Finance Act 1991 was passed and".

   (4) After subsection (4) there shall be inserted—

       "(4A) Subsection (4B) below applies to contracts for the assurance of gross sums under tax exempt life or endowment business made after 31st August 1987 and before the day on which the Finance Act 1991 was passed.

       (4B) Where the amount payable by way of premium under a contract to which this subsection applies is increased by virtue of a variation made in the period beginning with the day on which the Finance Act 1991 was passed and ending with 31st July 1992, the contract shall be treated for the purposes of subsection (3) above as made at the time of the variation."

Qualifying policies

4   (1) In Schedule 15 to that Act (qualifying policies) in paragraph 3, sub-paragraph (1)(c) (contract for policy issued by new society to be made by member over 18) shall be omitted, with the word "and" immediately preceding it.

   (2) This paragraph shall apply in relation to policies issued in pursuance of contracts made on or after the day on which this Act is passed.

5   (1) This paragraph applies to any policy—
       (a)   issued by a friendly society, or branch of a friendly society, in the course of tax exempt life or endowment business (as defined in section 466 of the Taxes Act 1988), and
       (b)   effected by a contract made after 31st August 1987 and before the day on which this Act is passed.

   (2) Where—
       (a)   the amount payable by way of premium under a policy to which this paragraph applies is increased by virtue of a variation made in the period beginning with the day on which this Act is passed and ending with 31st July 1992, and
       (b)   the variation is not such as to cause a person to become in breach of the limits in section 464 of the Taxes Act 1988,
       Schedule 15 to that Act, in its application to the policy, shall have effect, in relation to that variation, with the modifications mentioned in sub-paragraph (3) below.

   (3) The modifications are the omission of paragraph 4(3)(a) and the insertion at the end of paragraph 18(2) of "and as if for paragraph 3(2)(b) above there were substituted—
       "(b)   subject to sub-paragraph (4) below, the premiums payable under the policy shall be premiums of equal or rateable amounts payable at yearly or shorter intervals over the whole of the term of the policy

as from the variation, or, where premiums are not payable for any period after the person liable to pay them or whose life is insured has attained a specified age, being an age attained at a time not less than ten years after the beginning of the term of the policy, over the whole of the remainder of the period for which premiums are payable."""