

*These notes refer to the Income Tax (Trading and Other Income)  
Act 2005 (c.5) which received Royal Assent on 24 March 2005*

# **INCOME TAX (TRADING AND OTHER INCOME) ACT 2005**

---

## **EXPLANATORY NOTES**

### **COMMENTARY ON SECTIONS**

*Schedule 2: Transitionals and savings etc.*

**Part 6: Savings and investment income: insurance contracts and policies made before certain dates**

*Paragraph 108: Pre-14th March 1989 policies and contracts: application of section 501*

3615. This paragraph is based on section 548(3A) of ICTA. It limits the application of section 501 (loans by insurers giving rise to part surrenders) where:

- the policy or contract dates from before 14 March 1989; and
- the rights under the policy or contract were held in circumstances such that a company would be liable to tax under section 547(1)(b) of ICTA on a gain arising on that policy or contract.

3616. *Sub-paragraphs (2) and (3)* remove the limitation on the scope of section 501 if the policy is varied in certain ways. See the commentary above on the similar provision in paragraph 96 (pre-20th March 1968 policies and contracts excluded from Chapter 9 of Part 4). These sub-paragraphs do not apply to a life annuity contract. They are based on section 539(9) of ICTA.