



Finance Act 2012

2012 CHAPTER 14

PART 3

FRIENDLY SOCIETIES CARRYING ON LONG-TERM BUSINESS

Exempt BLAGAB or eligible PHI business

153 Exemption for certain BLAGAB or eligible PHI business

- (1) A friendly society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits arising from exempt BLAGAB or eligible PHI business.
- (2) The exemption applies only if the society makes a claim.
- (3) For the meaning of “BLAGAB or eligible PHI business”, see section 154.
- (4) For the meaning of “exempt” BLAGAB or eligible PHI business, see section 155.

154 Meaning of “BLAGAB or eligible PHI business”

- (1) In this Part “BLAGAB or eligible PHI business” means—
 - (a) basic life assurance and general annuity business, and
 - (b) any PHI business so far as consisting of the effecting or carrying out of qualifying contracts,but see subsections (3) and (4) for some qualifications.
- (2) A contract is a “qualifying” contract if—
 - (a) it is made before 1 September 1996, or
 - (b) it is made on or after that date and it also falls within paragraph I, II or III of Part 2 of Schedule 1 to the FISMA (Regulated Activities) Order 2001.
- (3) A contract made before 1 September 1996 which effects a policy affording provision for injury, sickness or other infirmity is to be regarded for the purposes of this Part as forming part of “BLAGAB or eligible PHI business” only if—

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- (a) the policy also affords assurance for a gross sum independent of injury, sickness or other infirmity,
 - (b) at least 60% of the total premiums are attributable to the provision afforded during injury, sickness or other infirmity, and
 - (c) there is no bonus or addition which may be declared or accrue upon the assurance of the gross sum.
- (4) Business is not to be regarded as “BLAGAB or eligible PHI business” of a friendly society for the purposes of this Part so far as it consists of the assurance of any annuity the consideration for which consists of sums obtainable—
- (a) on the maturity, or
 - (b) on the surrender,
- of any other policy of assurance issued by the society which forms part of its exempt BLAGAB or eligible PHI business.

155 Meaning of “exempt” BLAGAB or eligible PHI business

- (1) In this Part “exempt” BLAGAB or eligible PHI business means BLAGAB or eligible PHI business other than non-qualifying business.
- (2) Business is “non-qualifying” so far as it consists of—
- (a) the assurance of gross sums, or the granting of annuities, which meet the conditions set out in the following table (which vary according to the date on which the contracts in question were made), or
 - (b) the effecting or carrying out of contracts for the assurance of gross sums which are made on or after 20 March 1991 and which are expressed at the outset not to be made in the course of exempt BLAGAB or eligible PHI business.
- (3) This is the table mentioned above—

<i>Contracts to which assurance or annuities relate</i>	<i>Applicable limit for premiums or gross sums</i>	<i>Applicable limit for annuities</i>
Contracts made on or after 1 May 1995	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £270	Granting of annuities of annual amounts exceeding £156
Contracts made on or after 25 July 1991 but before 1 May 1995	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £200	Granting of annuities of annual amounts exceeding £156
Contracts made on or after 1 September 1990 but before 25 July 1991	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £150	Granting of annuities of annual amounts exceeding £156

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<i>Contracts to which assurance or annuities relate</i>	<i>Applicable limit for premiums or gross sums</i>	<i>Applicable limit for annuities</i>
Contracts made on or after 1 September 1987 but before 1 September 1990	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £100	Granting of annuities of annual amounts exceeding £156
Contracts made on or after 14 March 1984 but before 1 September 1987	Assurance of gross sums exceeding £750	Granting of annuities of annual amounts exceeding £156
Contracts made before 14 March 1984	Assurance of gross sums exceeding £500	Granting of annuities of annual amounts exceeding £104

- (4) In applying the limits in the above table in relation to the total premiums payable in any period of 12 months (in the case of contracts made on or after 1 September 1987)—
- if the premiums are payable more frequently than annually, ignore an amount equal to 10% of the premiums, and
 - ignore so much of any premium as is charged on the ground that an exceptional risk of death or disability is involved.
- (5) In applying the limits in the above table in the case of contracts made on or after 1 September 1987, ignore any bonus or addition declared upon an annuity.
- (6) In applying the limits in the above table in the case of contracts made before 1 September 1987, ignore any bonus or addition which—
- is declared upon the assurance of a gross sum or annuity, or
 - accrues upon the assurance of a gross sum or annuity by reference to an increase in the value of any investments.
- (7) In the case of a contract for the assurance of a gross sum under exempt BLAGAB or eligible PHI business made on or after 1 September 1987 but before 1 May 1995, there is a special rule if the amount payable by way of premium under the contract is increased as a result of a variation made—
- in the period beginning with 25 July 1991 and ending with 31 July 1992, or
 - in the period beginning with 1 May 1995 and ending with 31 March 1996.
- (8) The rule is that, in relation to any profits relating to the contract as varied, the contract is to be treated for the purposes of the above table as made at the time of the variation.

156 Societies with no provision for assuring gross sums exceeding £2,000 etc

- (1) This section applies to a friendly society if its rules make no provision for it to carry on BLAGAB or eligible PHI business, or other long-term business, consisting of—
- the assurance of gross sums exceeding £2,000, or
 - the granting of annuities of annual amounts exceeding £416.
- (2) The table in section 155 applies in relation to a friendly society to which this section applies as if, in the final row of that table—
- the reference to £500 were a reference to £2,000, and

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- (b) the reference to £104 were a reference to £416.
- (3) If at any time a friendly society to which this section applies amends its rules so as to cease to be such a friendly society, any part of its BLAGAB or eligible PHI business which—
- (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business,
- continues to be exempt BLAGAB or eligible PHI business for the purposes of this Part.
- (4) If at any time a friendly society to which this section does not apply amends its rules so as to become a friendly society to which this section applies, any part of its BLAGAB or eligible PHI business which—
- (a) relates to contracts made before that time, and
 - (b) immediately before that time was not exempt BLAGAB or eligible PHI business,
- continues not to be exempt BLAGAB or eligible PHI business for the purposes of this Part.
- (5) If at any time a friendly society to which this section does not apply acquires by way of transfer of engagements or amalgamation from another friendly society any BLAGAB or eligible PHI business which—
- (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business,
- that business continues to be exempt BLAGAB or eligible PHI business for the purposes of this Part.
- (6) If at any time a friendly society to which this section applies acquires by way of transfer of engagements or amalgamation from another friendly society any BLAGAB or eligible PHI business which—
- (a) relates to contracts made before that time, and
 - (b) immediately before that time was not exempt BLAGAB or eligible PHI business,
- that business continues not to be exempt BLAGAB or eligible PHI business for the purposes of this Part.

157 Transfers to friendly societies

- (1) If at any time an insurance business transfer scheme transfers any long-term business to a friendly society, any BLAGAB or eligible PHI business which relates to contracts included in the transfer is subsequently not to be capable of being exempt BLAGAB or eligible PHI business for the purposes of this Part.
- (2) This rule does not apply in relation to business relating to contracts to which section 158 applied immediately before the transfer had effect.

158 Transfers from friendly societies to insurance companies etc

- (1) If at any time an insurance company acquires by way of transfer of engagements from a friendly society any BLAGAB or eligible PHI business which—
- (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business,

that business continues to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.

- (2) If at any time a friendly society ceases as a result of section 91 of FSA 1992 (conversion into company) to be registered under that Act, any part of its BLAGAB or eligible PHI business which—
 - (a) relates to contracts made before that time, and
 - (b) immediately before that time was exempt BLAGAB or eligible PHI business, continues to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.
- (3) If contracts constituting or forming part of the business of a company covered by this section are varied during an accounting period of the company so as to increase the premiums payable under them, the business relating to those contracts is not exempt from corporation tax for that or any subsequent accounting period.
- (4) For the purposes of the Corporation Tax Acts any part of a company's business which is exempt from corporation tax as a result of this section is to be treated as a separate business from any other business carried on by the company.
- (5) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax as a result of this section, the Corporation Tax Acts have effect subject to such exceptions or other modifications as they consider appropriate.
- (6) The regulations may make provision having retrospective effect.
- (7) The regulations may—
 - (a) make different provision for different cases or circumstances, and
 - (b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

159 Exception in case of breach of maximum benefits payable to members

- (1) The exemption from corporation tax afforded by section 153, 156(3) or (5) or 158 does not apply in relation to so much of the profits arising to a friendly society or insurance company from any business as is attributable to a policy which—
 - (a) is not a qualifying policy as a result of sub-paragraph (2) of paragraph 6 of Schedule 15 to ICTA and is not an excluded policy, and
 - (b) would not be a qualifying policy as a result of that sub-paragraph if all excluded policies were ignored.
- (2) A policy is an excluded policy if—
 - (a) it is held otherwise than with the friendly society or insurance company, or
 - (b) the person who has the contract effecting the policy acquired the rights under it on an assignment otherwise than for money or money's worth.
- (3) This section does not withdraw the exemption from corporation tax afforded by section 153, 156(3) or (5) or 158 in relation to profits arising from any part of a business relating to contracts made on or before 3 May 1966.