
STATUTORY INSTRUMENTS

1999 No. 498

INCOME TAX

**The Insurance Companies (Capital Redemption Business)
(Modification of the Corporation Tax Acts) Regulations 1999**

<i>Made</i>	- - - -	<i>1st March 1999</i>
<i>Laid before the House of Commons</i>	- - - -	<i>2nd March 1999</i>
<i>Coming into force</i>	- -	<i>23rd March 1999</i>

The Treasury, in exercise of the powers conferred on them by section 458A of the Income and Corporation Taxes Act 1988(1), hereby make the following Regulations:

Citation, commencement and effect

1. These Regulations may be cited as the Insurance Companies (Capital Redemption Business) (Modification of the Corporation Tax Acts) Regulations 1999, shall come into force on 23rd March 1999 and shall have effect with respect to accounting periods of insurance companies ending on or after 1st July 1999.

Interpretation

2. In these Regulations—

“capital redemption business” means any capital redemption business within the meaning of section 458 of the Taxes Act(2) other than business referred to in subsection (4) of that section;

“the life assurance provisions of the Corporation Tax Acts” shall be construed in accordance with section 458A(4) of the Taxes Act;

“the Taxes Act” means the Income and Corporation Taxes Act 1988.

Application of life assurance provisions of the Corporation Tax Acts to capital redemption business

3. The life assurance provisions of the Corporation Tax Acts specified in regulations 4 to 16 shall have effect in relation to any insurance company carrying on capital redemption business—

(1) 1988 c. 1; section 458A was inserted by section 168(3) of the Finance Act 1996 (c. 8).

(2) Section 458 was amended by paragraph 16 of Schedule 15 to the Finance Act 1991 (c. 31), paragraph 7 of Schedule 16 to the Finance Act 1994 (c. 9), and section 168(1) of, and paragraph 2 of Schedule 33 and Part V(26) of Schedule 41 to, the Finance Act 1996.

- (a) as if the company's capital redemption business were life assurance business; and
- (b) as respects its capital redemption business, with the modifications provided for in those regulations.

Modifications of section 76 of the Taxes Act

- 4.—(1) Section 76(3) of the Taxes Act shall be modified as follows.
- (2) Subsection (5A) shall be omitted.
- (3) In subsection (6) the words from “or to any” to the end shall be omitted.
- (4) In subsection (8) the definition of “capital redemption business” shall be omitted.

Modifications of section 431 of the Taxes Act

- 5.—(1) Section 431 of the Taxes Act shall be modified as follows.
- (2) In subsection (2)—
 - (a) after the definition of “basic life assurance and general annuity business”(4) there shall be inserted the following definition—
 - ““capital redemption business” has the same meaning as in section 458;”;
 - (b) in the definition of “life assurance business” there shall be added at the end the words “and capital redemption business”.

Modification of section 431B of the Taxes Act

- 6.—(1) Section 431B of the Taxes Act(5) shall be modified as follows.
- (2) In subsection (1) after the words “life assurance business” there shall be inserted the words “, other than its capital redemption business,”.

Modification of section 458 of the Taxes Act

- 7.—(1) Section 458 of the Taxes Act shall be modified as follows.
- (2) Subsections (1) and (2) shall be omitted.

Modification of Schedule 19AC to the Taxes Act

- 8.—(1) Schedule 19AC to the Taxes Act(6) shall be modified as follows.
- (2) In paragraph 5(1), in paragraph (a) of the subsection (6A) notionally inserted in section 76 of the Taxes Act, the words “or capital redemption business”(7) shall be omitted.

Modification of section 44 of the Finance Act 1989

- 9.—(1) Section 44 of the Finance Act 1989 shall be modified as follows.
- (2) After subsection (12) there shall be inserted the following subsection—

(3) Section 76 was amended by section 87(2) of the Finance Act 1989 (c. 26), section 44(3) of, and paragraph 1 of Schedule 7 to, the Finance Act 1990 (c. 29), paragraph 1 of Schedule 7 and Part V of Schedule 19 to the Finance Act 1991, paragraph 7 of Schedule 8 to the Finance Act 1995 (c. 4), and paragraph 1 of Schedule 31, and paragraph 1 of Schedule 33, to the Finance Act 1996.

(4) Inserted by paragraph 1 of Schedule 8 to the Finance Act 1995.

(5) Section 431B was inserted by paragraph 2 of Schedule 8 to the Finance Act 1995.

(6) Schedule 19AC was inserted by paragraph 1 of Schedule 9 to the Finance Act 1993 (c. 34).

(7) Inserted by paragraph 3 of Schedule 33 to the Finance Act 1996.

“(12A) In subsection (12) above “life assurance business” has the same meaning as in Chapter I of Part XII of the Taxes Act 1988.”

Modification of section 82 of the Finance Act 1989

10.—(1) Section 82 of the Finance Act 1989⁽⁸⁾ shall be modified as follows.

(2) After subsection (8) there shall be added the following subsection—

“(9) In this section and in sections 83, 83AA⁽⁹⁾, 85, 86, 88, 88A⁽¹⁰⁾ and 89, and in paragraph 1A(1) of Schedule 8A⁽¹¹⁾, “life assurance business” has the same meaning as in Chapter I of Part XII of the Taxes Act 1988.”

Modification of section 213 of the Taxation of Chargeable Gains Act 1992

11.—(1) Section 213 of the Taxation of Chargeable Gains Act 1992⁽¹²⁾ shall be modified as follows.

(2) In subsection (1A) for the words from “which” to the end there shall be substituted the words “which are referable to basic life assurance and general annuity business”.

Modification of section 214 of the Taxation of Chargeable Gains Act 1992

12.—(1) Section 214 of the Taxation of Chargeable Gains Act 1992 shall be modified as follows.

(2) In subsection (1)(c) (definition of “relevant linked liabilities”) after the words “general annuity business” there shall be inserted the words “, other than capital redemption business,”.

Modification of section 65 of the Finance (No. 2) Act 1992

13.—(1) Section 65 of the Finance (No. 2) Act 1992⁽¹³⁾ shall be modified as follows.

(2) In subsection (3)(b) there shall be added at the end the words “and capital redemption business”.

Modification of Schedule 18 to the Finance Act 1994

14.—(1) Schedule 18 to the Finance Act 1994 shall be modified as follows.

(2) In paragraph 1A(1)⁽¹⁴⁾ the words “or capital redemption business” shall be omitted.

Modifications of Schedule 11 to the Finance Act 1996

15.—(1) Schedule 11 to the Finance Act 1996 shall be modified as follows.

(2) In paragraph 1(1)(a) and (2) the words “or capital redemption business”, in both places where they occur, shall be omitted.

(3) In paragraph 2—

⁽⁸⁾ Section 82(1) was amended by section 43(1) of the Finance Act 1990.

⁽⁹⁾ Section 83AA was inserted by paragraph 5 of Schedule 31 to the Finance Act 1996.

⁽¹⁰⁾ Section 88A was inserted by paragraph 26(2) of Schedule 6 to the Finance Act 1996.

⁽¹¹⁾ Schedule 8A was inserted by Schedule 10 to the Finance Act 1993 (c. 34), and paragraphs 1 to 1C of that Schedule were substituted for paragraph 1 by paragraph 49(2) of Schedule 8 to the Finance Act 1995.

⁽¹²⁾ 1992 c. 12; section 213(1A) was inserted by section 91(4) of the Finance Act 1993.

⁽¹³⁾ 1992 c. 48. Section 65 was amended by paragraph 9 of Schedule 14 to the Finance Act 1993, paragraphs 16(6) and 20(2) of Schedule 8 to the Finance Act 1995, Part V(3) of Schedule 41 to the Finance Act 1996, and paragraph 15 of Schedule 3 to the Finance (No. 2) Act 1997 (c. 58).

⁽¹⁴⁾ Paragraphs 1 and 1A of Schedule 18 to the Finance Act 1994 were substituted for paragraphs 1 and 2 of that Schedule by paragraph 79 of Schedule 14 to the Finance Act 1996.

- (a) for sub-paragraph (1) there shall be substituted the following paragraph—
 - “(1) Where an insurance company carries on basic life assurance and general annuity business, a separate computation, using only the non-trading credits and non-trading debits referable to that business, shall be made for the purposes of this Chapter in relation to that business.”;
 - (b) in sub-paragraph (3) for the words from “Where” to “capital redemption business,” there shall be substituted the words “Where an insurance company carries on life assurance business or any category of life assurance business,”.
- (4) In paragraph 4—
- (a) in sub-paragraph (1) for the words from “paragraph 2 above” to “capital redemption business,” there shall be substituted the words “paragraph 2 above for basic life assurance and general annuity business,”;
 - (b) in sub-paragraph (2)(a) for the words “the relevant category of business” there shall be substituted the words “basic life assurance and general annuity business”;
 - (c) in sub-paragraph (7) for the words “the relevant category of business” there shall be substituted the words “its basic life assurance and general annuity business”;
 - (d) in sub-paragraph (10) for the words “the relevant category of business” there shall be substituted the words “basic life assurance and general annuity business”;
 - (e) in sub-paragraph (16) the definition of “the relevant category of business” and the word “and” immediately preceding it shall be omitted.
- (5) In paragraph 6—
- (a) the definition of “capital redemption business” shall be omitted;
 - (b) in the definition of “life assurance business” after the words “annuity business” there shall be inserted the words “or capital redemption business”.

Modification of paragraph 19 of Schedule 12 to the Finance Act 1997

- 16.**—(1) Paragraph 19 of Schedule 12 to the Finance Act 1997(15) shall be modified as follows.
- (2) After sub-paragraph (4) there shall be added the following sub-paragraph—
- “(5) In this paragraph “life assurance business” has the same meaning as in Chapter I of Part XII of the Taxes Act 1988.”

1st March 1999

Bob Ainsworth
Jim Dowd
Two of the Lords Commissioners of Her
Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide that provisions of the Corporation Tax Acts relating to life assurance business of insurance companies (“the life assurance provisions”) shall have effect in relation to capital redemption business of those companies as if capital redemption business were life assurance business. The Regulations also provide that the life assurance provisions shall have effect as described above with the modifications set out in the Regulations. The Regulations have effect in relation to accounting periods ending on or after 1st July 1999, being the day appointed under section 199 of the Finance Act 1994 for the purposes of corporation tax self-assessment.

Regulation 1 provides for citation, commencement and effect, and regulation 2 for interpretation.

Regulation 3 applies the life assurance provisions specified in regulations 4 to 16 to capital redemption business of insurance companies.

Regulations 4 to 16 make various modifications of the life assurance provisions as respects capital redemption business.