

2003 No. 23

INCOME TAX

The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2003

Made - - - - - *9th January 2003*

Laid before the House of Commons *9th January 2003*

Coming into force -- *30th January 2003*

The Treasury, in exercise of the powers conferred upon them by section 463 of the Income and Corporation Taxes Act 1988(a), hereby make the following Regulations:

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2003 and shall come into force on 30th January 2003.

(2) Regulations 3 to 8 shall have effect in relation to accounting periods ending on or after 1st December 2001.

Interpretation

2. In these Regulations –

“the principal regulations” means the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997(b);

“regulation” means a regulation of the principal regulations;

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

Amendments to the principal Regulations

3. In regulation 4A(2)(c), in the words treated as substituted in section 43F(1) of the Taxes Act, for “section 46 or 47 of the Friendly Societies Act 1992” substitute “rule 5.1 or 5.2 of the Prudential Sourcebook (Friendly Societies)”.

4. In both—

(a) 1988 c. 1; section 463 was amended by section 50 of the Finance Act 1990 (c. 29), paragraph 10 of Schedule 9 to the Finance (No. 2) Act 1992 (c. 48), section 171 of the Finance Act 1996 (c. 8) and Articles 13 and 52(2)(i) of S.I. 2001/3629.
(b) S.I. 1997/473: relevant amending instruments are S.I. 2000/2710, 2001/3629 and 3975.
(c) Regulation 4A was inserted by regulation 3 of S.I. 2000/2710; section 43F was inserted by section 110 of the Finance Act 2000 (c. 17).

- (a) regulation 6(3)(d) in the definition of “liabilities”, and
- (b) regulation 6(6) in the definition of “value”,

treated respectively as substituted in section 431(2) of the Taxes Act, for “Friendly Societies Commission” (wherever those words appear) substitute “Financial Services Authority”.

5. In regulation 9(3)(a), in the subsection (1E) treated as inserted in section 432A of the Taxes Act, for “Commission” substitute “Authority”.

6. For regulation 13(1)(a) substitute—

“(a) incorporated directive societies to which neither subsection (2) nor subsection (3) of section 37 of the Friendly Societies Act 1992 applies,”.

7. In regulation 21B(b)—

- (a) in paragraph (1)(a) at the end add “other than section 37(3) societies”; and
- (b) in paragraph (2), in the subsection (7) treated as added to section 438B of the Taxes Act, for “business fund” substitute “insurance fund”.

8. In regulation 36(2)(c), in the subsection (2) treated as substituted in section 83A of the Finance Act 1989, for “Friendly Societies Commission” (in each place those words appear) substitute “Financial Services Authority”.

9. After regulation 50 insert –

“Modifications of paragraph 17 of Schedule 7AC to the 1992 Act

50A.—(1) Paragraphs (2) and (3) prescribe modifications of paragraph 17 of Schedule 7AC to the 1992 Act so far as it applies to the life or endowment business carried on by –

- (a) incorporated directive societies to which neither subsection (2) nor subsection (3) of section 37 of the Friendly Societies Act 1992 applies, or
- (b) non-directive societies other than section 37(3) societies,

in relation to disposals on or after 1st April 2002.

(2) In sub-paragraph (2) at the end add “(within the meaning in section 432A(11) to (14) of the Taxes Act, as added by regulation 13(5) of the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997)”.

(3) In sub-paragraph (5) for “and “long-term insurance fund” have the meanings” substitute “has the meaning”.

(d) Regulation 6(3) was amended by Article 156 of S.I. 2001/3629.

(a) Regulation 9(3) was amended by Article 157 of S.I. 2001/3629; section 432A was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990.

(b) Regulation 21B was inserted by regulation 6 of S.I. 2001/3975; section 438B was inserted by paragraph 5 of Schedule 25 to the Finance Act 2001 (c. 9).

(c) Regulation 36(2) was amended by Article 165(2)(e) of S.I. 2001/3629; section 83A was inserted by paragraph 16(1) of Schedule 8 to the Finance Act 1995 (c. 4).

Modifications of paragraph 10 of Schedule 7AD to the 1992 Act

50B.—(1) Paragraph (2) prescribes modifications of paragraph 10 of Schedule 7AD to the 1992 Act so far as it applies to the life or endowment business carried on by –

- (a) incorporated directive societies to which neither subsection (2) nor subsection (3) of section 37 of the Friendly Societies Act 1992 applies, or
- (b) non-directive societies other than section 37(3) societies,

in relation to periods of account to which Schedule 7AD to the 1992 Act applies (in accordance with paragraphs 11 to 13 of that Schedule).

(2) In sub-paragraph (1) –

- (a) for “, “long-term business” and “long-term insurance fund”” substitute “and “long-term business””;
- (b) insert in the appropriate place the following definition –

“assets of the long-term insurance fund” has the meaning in section 432A(11) to (14) of the Taxes Act (as added by regulation 13(5) of the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997);.”

10.—(1) After regulation 53D(a) insert –

“Modification of section 66 of the Finance Act 2002

53E.—(1) Paragraph (2) prescribes a modification of section 66 of the Finance Act 2002 so far as it applies to the life or endowment business carried on by friendly societies in relation to accounting periods beginning on or after 1st August 2001, and assets held on 1st January 2002.

(2) In subsection (4)(a) for “a transfer scheme” substitute “any specified transactions (as defined in regulation 2 of the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997)”.

Modification of paragraph 10 of Schedule 22 to the Finance Act 2002

53F.—(1) Paragraph (2) prescribes a modification of paragraph 10 of Schedule 22 to the Finance Act 2002 so far as it applies to the life or endowment business carried on by friendly societies in relation to accounting periods ending on or after 1st August 2002.

(2) In both of–

- (a) sub-paragraph (1)(a) for “a transfer scheme”, and
- (b) sub-paragraph (2) for “the transfer scheme”,

substitute “any specified transactions (as defined in regulation 2 of the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997)”.

(a) Regulation 53D was inserted by regulation 8 of S.I. 2001/3975.

Modifications of paragraph 28 of Schedule 26 to the Finance Act 2002

53G.—(1) Paragraphs (2) to (4) prescribe modifications of paragraph 28 of Schedule 26 to the Finance Act 2002 in relation to accounting periods beginning on or after 1st October 2002.

(2) In sub-paragraph (2)(c) omit “which has effect under an insurance business transfer scheme”.

(3) Omit sub-paragraph (2)(d).

(4) Omit sub-paragraph (5).

Modification of paragraph 36 of Schedule 29 to the Finance Act 2002

53H.—(1) Paragraph (2) prescribes a modification of paragraph 36 of Schedule 29 to the Finance Act 2002 so far as it applies to the life or endowment business carried on by friendly societies on or after 1st April 2002, subject to the transitional provisions in Part 14 of that Schedule.

(2) In sub-paragraph (3) after “carries on” insert “taxable”.

Modifications of paragraph 89 of Schedule 29 to the Finance Act 2002

53J.—(1) Paragraphs (2) to (4) prescribe modifications of paragraph 89 of Schedule 29 to the Finance Act 2002 in relation to specified transactions taking place on or after 1st April 2002.

(2) In sub-paragraph (1)(a) omit the words from “which has effect” to the end.

(3) Omit sub-paragraph (1)(b).

(4) In sub-paragraph (3) omit the definition of “insurance business transfer scheme”.

Philip Woolas

Nick Ainger

9th January 2003

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations further amend the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997 (S.I. 1997/473). Section 463(1) of the Income and Corporation Taxes Act 1988 (“the Taxes Act”) provides that the Corporation Tax Acts shall apply to the non-tax exempt life or endowment business carried on by registered friendly societies in the same way as they apply to mutual life assurance business carried on by insurance companies, but gives the Treasury power to provide by regulations that those Acts as so applied are to have effect subject to such modifications and exceptions as may be prescribed by the regulations. The principal effect of these Regulations is to prescribe modifications of provisions enacted in the Finance Act 2002. Authority for the retrospective effect of these Regulations is given by section 463(4) of the Taxes Act.

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

Regulations 3 to 8 make minor drafting amendments to S.I. 1997/473.

Regulation 9 introduces modifications to Schedules 7AC and 7AD to the Taxation of Chargeable Gains Act 1992 (inserted by Part 1 of Schedule 8, and Schedule 31, to the Finance Act 2002, respectively). The inserted regulation 50A modifies the meaning of “long-term insurance fund” in paragraph 17 of that Schedule 7AC, for those friendly societies which do not have such a fund, so as to identify assets held by the society which are similar to such a fund. The inserted regulation 50B makes a similar modification to paragraph 10 of that Schedule 7AD.

Regulation 10 introduces modifications to provisions in the Finance Act 2002 itself. The inserted regulations 53E, 53F, 53G and 53J replace references to the defined terms “transfer scheme” and “insurance business transfer scheme” (principally under the Financial Services and Markets Act 2000) with references to the equivalent for friendly societies, “specified transactions” (as defined in regulation 2 of S.I. 1997/473). The inserted regulation 53H restricts the reference in paragraph 36 of Schedule 29 to the Finance Act 2002 to “basic life assurance and general annuity business” to such business which is taxable (to which paragraph 36 is only relevant, for friendly societies).

STATUTORY INSTRUMENTS

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The Friendly Societies (Modification of the Corporation Tax
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