

**EXPLANATORY MEMORANDUM TO**  
**THE INSURANCE COMPANIES (RESERVES) (TAX) (AMENDMENT)**  
**REGULATIONS 2008**

**2008 No. 2679**

**1.** This explanatory memorandum has been prepared by HM Revenue and Customs on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty. This memorandum contains information for the Select Committee on Statutory Instruments.

**2. Description**

This instrument (the “2008 Regulations”) amends the Insurance Companies (Reserves) (Tax) Regulations 1996 (S.I. 1996/2991: the “principal Regulations”) to remove provisions no longer applicable as a result of changes to UK accounting practice used by insurance companies, and to make consequential amendments as a result of the coming into force of regulations made under the Companies Act 2006 which relate to the accounts of insurance companies.

**3. Matters of special interest to the Select Committee on Statutory Instruments**

None

**4. Legislative Background**

4.1 The principal Regulations set out a scheme to give relief to certain insurance companies for additions made to equalisation reserves set up under the Equalisation Reserves Rules in the Insurance Prudential Sourcebook made by the Financial Services Authority, or to equivalent reserves in other jurisdictions. Relief is only given where the equalisation reserves are also reflected in accounts drawn up under Schedule 9A to the Companies Act 1985 or equivalent provisions.

4.2 The principal regulations refer to provisions of the Companies Act 1985 and to the previous Sourcebook in which the Equalisation Reserves Rules were placed. These regulations cater for changes made in the Statement of Recommended Practice (SORP) published by the Association of British Insurers and update references to provisions of the Companies Act 1985 so as to refer to the Companies Act 2006.

**5. Territorial Extent and Application**

This instrument applies to all of the United Kingdom.

**6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

- 7.1 The principal Regulations set out a scheme of relief from taxation for additions to equalisation reserves. The 2008 Regulations ensure the principal Regulations are up to date so that they function correctly.
- 7.2 A draft of the 2008 Regulations has been circulated to appropriate bodies and persons within the insurance industry and their advisers.
- 7.3 Guidance on the changes will be incorporated in HMRC's General Insurance Manual.

## **8. Impact**

- 8.1 A full and final Impact Assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.
- 8.2 There is no impact on the public sector.

## **9. Contact**

Victor Baker at HM Revenue and Customs Tel: 020 7147 2616 or e-mail: victor.j.baker@hmrc.gsi.gov.uk can answer any queries regarding the instrument.