

1 Life policies etc.: restriction of corresponding deficiency relief [j350]

- (1) In Chapter 2 of Part 13 of the Income and Corporation Taxes Act 1988 (c. 1) (life policies, life annuities and capital redemption policies), section 549 (certain deficiencies allowable as deductions) is amended as follows.
- (2) In subsection (1) for the words from “the total amount” to the end substitute “the allowable amount”.
- (3) After that subsection insert—

“(1A) The allowable amount is the total of any amounts that—

 - (a) were treated as a gain by virtue of section 541(d), 543(1)(c) or 546C(7) on the previous happenings of chargeable events, and
 - (b) formed part of that individual’s total income for a previous year of assessment.”.
- (4) This section applies in relation to a deficiency occurring in connection with a policy of life insurance if—
 - (a) it is issued in respect of an insurance made on or after 3rd March 2004, or
 - (b) it is issued in respect of an insurance made before that date but on or after that date—
 - (i) it is varied so as to increase the benefits secured (any exercise of rights conferred by the policy being regarded for this purpose as a variation),
 - (ii) there is an assignment (whether or not for money or money’s worth) of the rights, or a share of the rights, conferred by the policy, or
 - (iii) all or part of the rights conferred by the policy become held as security for a debt.
- (5) This section applies in relation to a deficiency occurring in connection with a contract for a life annuity if—
 - (a) it is entered into on or after 3rd March 2004, or
 - (b) it is entered into before that date but on or after that date—
 - (i) it is varied so as to increase the benefits secured (any exercise of rights conferred by the contract being regarded for this purpose as a variation),
 - (ii) there is an assignment (whether or not for money or money’s worth) of the rights, or a share of the rights, conferred by the contract, or
 - (iii) all or part of the rights conferred by the contract become held as security for a debt.
- (6) This section applies in relation to a deficiency occurring in connection with a capital redemption policy if—
 - (a) it is effected on or after 3rd March 2004, or
 - (b) it is effected before that date but on or after that date—
 - (i) it is varied so as to increase the benefits secured (any exercise of rights conferred by the policy being regarded for this purpose as a variation),
 - (ii) there is an assignment (whether or not for money’s worth) of the rights, or a share of the rights, conferred by the policy, or

- (iii) all or part of the rights conferred by the policy become held as security for a debt.