

LIFE ASSURANCE MANUAL

What's new - 2008

This note describes the major changes made to the Life Assurance Manual since the last public edition. The changes cover all those made by Finance Act 2007 and by Statutory Instruments laid since the last edition. They also include some preliminary guidance on provisions intended to be enacted in Finance Act 2008 – this is marked with a ## at the start and end of the material. Until the Bill receives Royal Assent it is possible that the legislation may change, so caution should be exercised in considering that guidance.

In addition to the changes set out below, there have been a number of other minor changes of matters such as formatting, typos, updating of references, minor reorganisation of material and others.

There are two new chapters, Chapter 8A, dealing with Case VI profits and gross roll-up business and Chapter 16A, dealing with transfers of business following the changes made by Schedule 9 Finance Act 2007 and the "Transfers of business" Regulations (SI 2008/381). This new Chapter also contains, for the first time, material about taxes other than corporation tax and is intended to provide comprehensive guidance on the tax treatment of transfers of business.

Once the Finance Bill has had its third reading so that it can no longer be altered, the preliminary guidance will be finalised and the whole of the Life Assurance Manual will be converted into the standard format for HMRC guidance.

This will involve new material and a wholesale renumbering of chapters and paragraphs, together with some rearrangement of existing material. Any comments on the material in this guidance, or request for guidance on matters not included should be sent to Richard Thomas (email:) the author of the guidance.

CHAPTER 1: INTRODUCTION

The introduction has not been revised for this interim publication. A revised introduction will be included in the next update.

CHAPTER 2: GENERAL STRUCTURE OF LIFE ASSURANCE TAXATION

Paragraph 2.4: the text and the heading are changed to reflect the fact that the life assurance tax provisions are now a defined concept and cover more than Chapter 1, Part 12 of ICTA.

Paragraph 2.9: updated to refer to permanent establishments and to recent OLICs & FISMA reinsurance regulations.

Paragraph 2.12: amended to reflect the replacement, by section 431H of ICTA of section 432(1).

Paragraph 2.14: new paragraph on the repeal of the Crown Option.

Paragraph 2.21: is expanded to explain in more detail what is meant by the I minus E basis following the insertion of a definition in section 431(2) ICTA.

Paragraph 2.24: updated for the replacement of five previous categories by gross roll-up business.

Paragraph 2.25: heading amended to limit the case to pre-2007 periods.

Paragraph 2.25A: introduces the excess Case I profits adjustment under section 85A,

FA 1989.

Paragraph 2.29: refers to the repeal of section 65 F(2)A 1992.

Paragraphs 2.37 to 2.40: are new and deal with the changes made by section 431G ICTA in establishing I minus E as the appropriate basis, except in those specific cases where an actual Case I charge is mandatory. In particular, paragraph 2.40 gives guidance on what is meant by “substantially all” in deciding whether a company with a small amount of BLAGAB is a mandatory Case I company.

Paragraphs 2.50A to 2.50L: show the rules applying where a company is a mandatory Case I company for 2007 onwards;

Paragraph 2.50M to 2.50P: cover the transition where companies move from I minus E to Case I or vice versa.

Paragraph 2.51A: the new definition of PHI business

Paragraph 2.53 to 2.55 dealing with industrial business have been removed to an Appendix.

Paragraph 2.56 dealing with former Friendly Society exempt business, carried on by a life insurance company is limited to periods beginning before 1st January 2007 but extended to deal with tax exempt other business.

Paragraphs 2.56A to 2.56K: the treatment of a life assurance company acquiring tax exempt business from a Friendly Society as a result of a transfer of business as well as a conversion, following the changes made in Schedule 11 FA 2007.

Paragraph 2.57: updated.

Paragraph 2.60: transitional provisions for unrelieved GAB losses and the simplification made by Schedule 10 FA 2007.

Paragraph 2.66A: the new “boxes” in section 440(4) following amalgamation of five categories into GRB and also covers any transitional issues.

Paragraph 2.67: the effect of a transfer between boxes updated, and refers to the repeal of section 439 ICTA.

Paragraph 2.69: updated to remove references to outdated legislation.

Paragraph 2.83: amended to reflect the new section 85A FA 1989 rules and their non-application to mutuals.

Paragraph 2.83A: new paragraph dealing with the fact that a mutual only has a long-term insurance fund and no shareholders fund.

Paragraph 2.102: updated to refer to section 431G(3)(a) in place of section 439A.

Paragraph 2.102A: amended in the light of experience

Paragraph 2.102B: new giving simple guidance on surplus relief reinsurance.

Paragraph 2.103A: new on quota share reinsurance that is preliminary to a transfer of business.

Paragraph 2.103B: new on reinsurance of longevity risk

Paragraph 2.104: expanded on deposits-back

Paragraphs 2.111 to 2.162: new and deal with ISPVs of various types

CHAPTER 3: LIFE ASSURANCE COMPANIES AS MEMBERS OF A GROUP

Paragraph 3.11: updated to refer to the post 2006 boxes.

Paragraph 3.13: deals with transfers to a fund management company is updated to refer (finally) to OEICs but is restricted to periods beginning before 1st January 2007.

Paragraph 3.14A: new - deals with transfers to managers of Authorised Investment Funds for periods beginning on or after 1st January 2007, following the relaxation of the rules on clogged losses.

Paragraphs 3.21 to 3.28A: substantially revised to update the guidance on portfolio and what are now known as “structural” subsidiaries for periods beginning before 1st January 2007. Among other things it takes the view that a company is only regarded as a portfolio subsidiary if it is an asset of the long-term insurance fund.

Paragraphs 3.28B to 3.28F: new and deal with structural assets for 2007 onwards.

Paragraph 3.35B deals with the surrender of losses as group relief, reflecting the repeal of the restriction by reference to an OLAB loss and the limitation of GRB losses where there is a surrender of a Case I loss. It also covers the repeal of the exclusion in section 403(E3) ICTA.

Paragraph 3.76 reflects the change in nomenclature from lower to savings rate of income tax and the replacement of the savings rate by the basic rate from financial year 2008 onwards.

Paragraph 3.76B covers the new section 755A(11BA) dealing with cases where the BLAGAB profits is nil.

Paragraph 3.81A covers a minor change to the CFC rules by SI2006/3270 and the table at 3.101 is updated.

CHAPTER 4A: INCOME AND GAINS IN THE I MINUS E COMPUTATION – GENERAL ASPECTS, LAND AND SHARES.

Paragraphs 4A.3A to 4A.3C are new and cover the assimilation of investment return and a profit calculation for 2007 onwards and deal with the removal, except in very specific circumstances, of the exemption in section 438 ICTA.

Paragraph 4A.4 is clarified to explain the primary object of Chapters 4A to 4D is to deal with BLAGAB.

Paragraph 4A.122 is updated to deal with changes to section 432AA from 2007 onwards.

Paragraph 4A.123 dealing with remediation expenditure refers to the minor changes made by FA 2008 prospectively.

New paragraph 4A.131A covers the prospective legislation in Finance Bill 2008 on tax credits for energy saving and environmentally beneficial plant and machinery and the special rules for life assurance business.

Paragraph 4A.132 covers the business premises renovation allowance now that has come into force.

Paragraph 4A.164 covers the repeal of the rent factoring legislation.

Paragraph 4A.173A deals with tax credits on energy saving etc., plant in an overseas property business.

Paragraph 4A.297 deals with the repeal in section 210B TCGA of special rules for the OLAF.

Paragraph 4A.301 onwards is substantially rewritten and deals with the new rules for repos applicable on or after 1st October 2007.

Paragraph 4A.325 deals with the effect of the substantive repeal of section 438(1) ICTA on manufactured payments regulations.

CHAPTER 4B – INCOME AND GAINS IN THE I MINUS E COMPUTATION – DEBT AND LOAN RELATIONSHIPS

Paragraph 4B.1 is a new overview of the taxation of loan relationships as it applies to companies carrying on life assurance business, reflecting changes proposed in Finance Bill 2008 and made in Finance Act 2007.

Paragraph 4B.412AA reflects the repeal of Schedule 9A to the Companies Act 1985 and the equivalent regulations for non-Companies Act insurance companies.

Paragraph 4B.551 also reflects changes to the repo rules.

Paragraph 4B.601 to 4B.662C are substantially amended to cover changes made by FA 2007 and prospectively by FA 2008 relating to apportionments.

Paragraph 4B.662B reflects CT & VAT's view of the non-application of paragraph 3A, Schedule 11 in a needs basis calculation.

Paragraph 4B.663 covers the change to apportionment of interest on deposit back liabilities, prospectively included in Finance Bill 2008.

CHAPTER 4C: INCOME AND GAINS IN THE I MINUS E COMPUTATION, COLLECTIVE INVESTMENT VEHICLES.

Paragraph 4C.142 mentions the repeal of the gain buying provisions by Finance Act 2006 following the introduction of the corporate CG TAARs.

Paragraph 4C.314 mentions the disapplication of the offshore income gain rules to assets of the long-term insurance fund, prospectively provided for by Finance Bill 2008.

Paragraph 4C.321 deals with further guidance on overseas tax transparent vehicles such as FCPs and 4C.321A with overseas partnerships.

Paragraph 4C.314 covers the application of the offshore funds legislation on disposals of interests in an overseas open-ended company but also mentions the disapplication of those rules from 1st January 2008 in relation to such interests.

Paragraph 4C.321A clarifies the treatment of offshore partnerships which are invested in securities etc (bond funds)

Paragraph 4C.322ZA deals with the application of the offshore income gains rules to offshore funds which are companies, and mentions the disapplication of the offshore income gain rules to assets of the long-term insurance fund, prospectively provided for by Finance Bill 2008

Paragraph 4C.322A clarifies that section 212 only applies to offshore funds in the extended meaning given by that section where the fund continues to meet the NAV within seven years requirement.

Paragraph 4C.322B covers the non-application of section 212 to vehicles which are tax transparent for chargeable gains purposes.

Paragraph 4C.322E amends the treatment of a deemed disposal of an interest in a non-CG Transparent Overseas Vehicle.

Paragraph 4C.322G, as well as 4C.322E, mentions the disapplication of the offshore income gains rules from 2008 prospectively.

Paragraph 4C.332 deals with disposals of interests in a venture capital limited partnership and the non-application of the offshore fund rules.

Paragraph 4C.346 allows for certain agreements in the case of funds of funds, particularly those established in one of the states of the USA.

Paragraph 4C.371 provides further guidance on holdings in UK-REITs.

Paragraph 4C.381 to 4C.384 provides guidance on Property Authorised Investment Funds (PAIFs).

CHAPTER 4D – INCOME AND GAINS IN THE I MINUS E COMPUTATION – DERIVATIVES AND REINSURANCE

Paragraph 4D.9 gives an overview of the taxation of derivative contracts and companies carrying on life assurance business.

Paragraph 4D.95 is limited to periods before 1st January 2008.

Paragraph 4D.96 and 4D.97 cover the prospective revisions to the apportionment rules in Finance Bill 2008.

Paragraph 4D.129 is a belated updating to reflect the changes to Form 48.

Paragraphs 4D.162 is updated to deal with changes to section 211 TCGA which no longer applies to good will.

Paragraphs 4D.163 is amended to refer to the prospective changes to section 432A and consequent repeals in Schedule 29 FA 2002.

Paragraphs 4D.164 provides further guidance on the treatment of PVIF and the non-application of Schedule 29 to it, including in relation to PHI business.

Paragraph 4D.202 deals with prospective changes to make explicit the tax treatment of profits arising from land treated as trades, where carried on outside the long-term insurance fund, and losses on holiday lettings businesses.

Paragraph 4D.211A deals with the prospective changes to the apportionment rules in Finance Act 2008 in relation to finance leases which are not long-funding finance leases, as does paragraph 4D.213 in relation to long-funding finance leases.

Paragraph 4D.222 explains that section 85 applies on the basis of amounts receivable, not received, and also confirms HMRC's view that premiums in section 85(2) FA 1989 means what it says, premiums received by a company from its policyholders and not rebates of premiums from a reinsurer. The paragraph also deals with prospective changes to section 85 in Finance Bill 2008.

CHAPTER 5 – ALLOCATION OF INCOME AND GAINS IN THE I MINUS E COMPUTATION

Paragraph 5.31 is amended to deal with the concepts of foreign currency assets and prospectively in Finance Bill 2008, foreign business assets.

Paragraph 5.41A deals with changes to the FSA Handbook and the definition of liabilities.

Paragraph 5.41E also deals with changes to the FSA Handbook in relation to the meaning of long-term insurance fund, and paragraph 5.41F to the meaning of value.

Paragraph 5.42C and 5.42D reflect the movement to section 431(2) by FA 2007 of certain definitions for linked business.

Paragraph 5.42E is updated as a result of changes to the periodical return.

Paragraph 5.130L under a new sub-heading, outlines the changes made to the apportionment rules by Finance Act 2007: it also covers the prospective retrospective repeal of the inherited estates apportionment rules in Finance Bill 2008.

Paragraph 5.130M to 5.130R deal with foreign currency assets and the prospective FB 2008 references to foreign business assets

Paragraph 5.130S contains an example of the 2007 apportionment rules.

Paragraph 5.131: the uses of section 432A ICTA is updated but restricted to periods before 1st January 2007, while 5.132 covers periods from 1st January 2007.

Paragraph 5.133 deals with the prospective changes to section 432A made by FB 2008

Paragraph 5.142 now mentions section 85A.

CHAPTER 6 – COMPUTATIONS ON A CASE I BASIS – BASIC RULES

Paragraph 6.1 is updated to reflect modern thinking.

Paragraph 6.9 is changed to reflect the abolition of the Crown Option and other FA 2007 changes.

Paragraph 6.14 is amended to refer to Chapter 8A dealing with gross roll-up business and Case VI.

Paragraph 6.31 mentions the repeal of section 444AC in its original version and 6.36 mentions the repeal of section 444AD.

Paragraph 6.35A to 6.35C deal with amendments to section 83(2B) to 83(2E) made by FA 2007

Paragraph 6.41ZA deals with the explicit priority of section 83(2) FA 1989 over other codes including loan relationships.

Paragraph 6.41B is amended to reflect the move of the definition of “non-profit company” and “with-profits fund” from section 83YA, and paragraph 6.41C covers amendments to section 83YA(7) – transfers.

Paragraph 6.45: the flaw in section 83ZA(4) FA 1989

Paragraph 6.50JA covers the repeal of section 82C FA 1989

Paragraph 6.50JB is a marker for guidance on “FAFTS”

Paragraph 6.57 is amended to reflect legal advice given to HMRC.

Paragraph 6.73 covers the rather convoluted repeal of section 83(3) and associated rules.

CHAPTER 7 – CASE I PROFITS, TAX ADJUSTMENTS AND OTHER ASPECTS

Paragraph 7.5A to 7.5G deal with the changes made as a result of PS06/14 in the enactment of sections 82D to 82F FA 1989.

Paragraph 7.21 updates the treatment of capital allowances on investment assets and 7.22 on management assets.

Paragraph 7.31 updates the treatment of loan relationships in Case I and 7.32A covers the prospective changes in Finance Bill 2008.

Paragraph 7.37 contains material about repos and stock loans

Paragraph 7.43 is rewritten and paragraph 7.44 is new and deals with post FA 2007 changes and prospective changes in Finance Bill 2008 for derivative contracts in Case I.

Paragraph 7.71 mentions the repeal of the special life assurance rules for vaccine research expenditure as no company has claimed relief or is likely to.

Paragraph 7.81 deals with changes to the treatment of intangible fixed assets for Case I purposes.

Paragraph 7.94 covers the change in treatment of section 587B ICTA gifts of shares

Paragraph 7.261 to 7.271 cover the major changes to the minimum profits test previously in section 76 and describe the new test in section 85A FA 1989 where there are "excess adjusted Case I profits".

Paragraph 7.307A deals with a Special Commissioners case, *Sun Life Assurance Company of Canada (UK) Ltd* (SpC 00658) and the question whether Case I losses can be carried forward for the purposes of section 89(7) before 2003.

Paragraph 7.310 is updated.

CHAPTER 8 – CASE VI COMPUTATIONS – GENERAL PROVISIONS

This Chapter is now expressed to apply only for periods before 1st January 2007.

Paragraph 8.44 mentions the prospective retrospective repeal of the inherited estates rules and so the corresponding adjustments in a Case VI computation.

At paragraph 8.88 some arithmetical errors have been corrected.

CHAPTER 8A – CASE VI PROFITS, GROSS ROLL-UP BUSINESS

This Chapter is completely new

CHAPTER 9 – PENSION BUSINESS, ISA BUSINESS, CTF BUSINESS AND LIFE REINSURANCE BUSINESS

The Chapter is now expressed to apply only for periods beginning before 1st January 2007 except where it describes the meaning of those categories of business since that meaning is still relevant in deciding what business counts as gross roll-up business and, in certain cases, where other provisions apply only to pension business or OLAB.

Paragraph 9.28 mentions that a regulation 11A (of the reinsurance regulations SI1995/1730) ceases to have effect for periods beginning on or after 1st January 2007 and any such business becomes life reinsurance business.

Paragraph 9.34B updates the discussion of the treatment of pension business computations under Case VI and 9.77A provides that that paragraph also applies to ISA business and 9.80JA that it applies to CTF business.

Paragraph 9.82B follows 9.34B in its application to LRB and that 9.82A provides that section 83(3) FA 1999 etc apply to LRB; something which was not previously specifically stated.

CHAPTER 10 – OVERSEAS LIFE ASSURANCE BUSINESS

Like Chapter 9, this is expressed now to apply only for accounting periods beginning before 1st January 2007, except for the purpose of defining OLAB.

Paragraph 10.28A also provides for a discussion of the end of regulation 11A elections.

Paragraph 10.28B is updated to cover changes to specifically mentioned pension schemes qualifying for “fast track” treatment and the repeal of section 441B of ICTA by regulations.

Paragraph 10.29 mentions that the parts of the OLAB compliance regulations dealing with reinsurance business are revoked; as reinsured OLAB is taken into life reinsurance business for 2007 onwards.

Paragraph 10.63A and 10.63B are the OLAB equivalents of paragraphs 9.82A and 9.82B applying to LRB and updating and repairing omissions.

CHAPTER 11 – LONG-TERM BUSINESS OTHER THAN LIFE ASSURANCE BUSINESS

Paragraph 11.4 reflects the replacement of section 432 by section 431H of ICTA.

Paragraph 11.6 is updated to refer to later SORP and other accounting changes.

Paragraph 11.6ZA deals with PS06/14 and its application to PHI.

Paragraph 11.9Q to 11.9U deal with section 736 ICTA, and paragraph 11.9V with section 732 ICTA.

Paragraph 11.9W covers the prospective repeal and replacement by section 95ZA ICTA.

Paragraph 11.18 contains material about repos and stock loans

Paragraph 11.20GA is amended to update the treatment of PVIF as not counting as an intangible fixed asset for the purposes of Schedule 29.

Paragraph 11.20M to 11.20R deal with the transfer of tax exempt other business carried on by a Friendly Society to an insurance company, following changes made in Schedule 11 FA 2007.

Paragraph 11.30A deals with changes to the treatment of capital redemption business and the movement of the definition into section 431 ICTA for 2007 onwards.

CHAPTER 12 – MANAGEMENT EXPENSES (PRE-2004) & DEFICITS ON LOAN RELATIONSHIPS

Paragraph 12.20A covers management asset capital allowances for 2007 onwards

Paragraph 12.108A deals with the interaction between loan relationships deficits and the minimum profits test after 31 March 2004, and new paragraph 12.110 with the position in 2007 onwards.

CHAPTER 12A – BLAGAB EXPENSES

Paragraph 12A.501 the heading is changed to reflect the fact there are no longer ten steps.

Paragraph 12A.571 deals with the new version of section 76(13) applying where section 85A has applied in a previous period.

Paragraph 12A.581 deals with the fact that step 8 is now the final step.

Paragraph 12A.591 accordingly restricts the treatment of step 9 to periods before 1st January 2007; similarly 12A.596 is restricted to such periods in relation to step 10.

Paragraph 12A.601 is also amended to deal with the new smaller number of steps.

Paragraph 12A.611 restricted to periods before 2007 is amplified to show that any excess expenses carried forward are lost, if a company moves from the I minus E basis to Case I, even if it reverts to the I minus E basis.

Paragraph 12A.621 however deals with the changes made to section 76(12) which allows such a carry-forward to a period in which a company reverts to being I minus E.

Paragraph 12A.631 deals with the transitional rules where excess expenses could not be carried forward as a result of a move to Case I.

Paragraph 12A.801 deals with changes in relation to acquisition expenses and the ability of a company to set spread forward amounts against section 213 gains during a Case I period.

CHAPTER 13 DEDUCTIONS FROM TOTAL PROFITS

There has been a substantial amount of updating and removal of outdated material.

Paragraph 13.41 deals with the changes to the PLA regulations and the computation of the exempt elements for “new annuities”

Paragraph 13.64 covers the change in treatment of section 587B gifts for 2007 onwards

CHAPTER 14 – CORPORATION TAX, ACT AND INCOME

A substantial part of the early material in this Chapter is updated and reorganised pending the change to the new format.

Paragraph 14.6A gives further information about HMRC’s view on the interaction of section 83 FA 1989 and section 434 ICTA.

Paragraph 14.6B updates to refer to changes made to section 89(7) in relation to losses

Paragraph 14.9 reflects the repeal of section 88(2) FA 1989

Paragraph 14.10EA reflects the change of name from “lower rate” of income tax to “savings rate” made by the Income Tax Act 2007 and the amendment to section 88 FA 1989, and the change to “basic rate” made by FA 2008.

Paragraph 14.10EF covers the insertion in FA 2008 of section 210A(10A) TCGA (where BLAGAB profits are nil)

Paragraph 14.10F refers to the repeal of sections 438B and 438C of ICTA.

Paragraph 14.120A and 14.121 reflect the enactment of Income Tax Act 2007 replacing Schedule 16 ICTA and other withholding tax provisions.

CHAPTER 14A – DOUBLE TAXATION RELIEF

Paragraph 14A.65A deals with section 804B(3A) – foreign currency assets

Paragraph 14A.66 is belatedly updated

Paragraph 14A.67A is a post FA 2007 version of paragraph 14A.67, paragraph 14A.68A of 14A.68, paragraph 14A.69BA of paragraph 14A.69B and paragraph 14A.70A of 14A.70 (all dealing with section 804B ICTA)

Paragraph 14A.103, 108, 111 and 114 are updated for FA 2007 etc

CHAPTER 15 – RETURNS & REPAYMENTS

Paragraph 15.17 is updated to reflect FA 2007

CHAPTER 16 – TRANSFERS OF LONG-TERM BUSINESS

This Chapter now expressly applies to transfers of business taking place before 1st July 2008. Transfers after that date are covered by the new Chapter 16A.

Paragraph 16.1 is amended to reflect the fact that the chapter contains guidance on matters other than corporation tax.

Paragraph 16.5 refers to the new Case 5 in section 105(3) FISMA, the so-called “Part 7-lite” transfers for reinsurance business.

Paragraph 16.7 mentions that the definition of insurance business transfer scheme, included in section 431(2) ICTA applies throughout the life assurance CT provisions and includes non-EEA transfers.

Paragraph 16.16 is amplified to deal with Case I company transferors.

Paragraph 16.17ZA to 16.17ZD deals with changes, particularly to section 211 TCGA, made by FA 2007 and consequent changes to section 440

Paragraph 16.17ZD deals with section 440B where either the transferor or the acquiring company is a Case I basis company, or they both are.

Paragraph 16.17E to 16.17H deal with the changes to section 213 TCGA allowing a carry-back of all section 213 losses to a transferor but only in relation to transferred assets.

Paragraph 16.28A reflects a correction of an error pointed out to HMRC.

Paragraph 16.28B to 16.28F deal with accounting periods and periods of account rules for transfers between 1st January 2007 and 19th February 2008; and paragraphs 16.28G to 16.28P deal with such matters from 19th February 2008.

Paragraph 16.33 reflects the ability to carryover a GRB Case VI loss on a transfer of business

Paragraph 16.34ZA firms up on the view that section 343(1) does not apply where the transferor is a mutual.

Paragraph 16.34ZA to 16.34ZC deal with transfer from an I minus E basis company to a Case I company and the treatment of Case VI losses.

Paragraph 16.35ZA to 16.35ZD deal with the transfer of Case I losses and particularly where the transfer is to an I minus E basis company.

Paragraph 16.35ZE mentions the repeal of section 83(3) to (7) and sections 83AA and 83AB FA 1989 and refers back to Chapter 6.

Paragraph 16.38B covers the repeal of section 444AC(11).

Paragraph 16.38C covers changes made by SI2006/3270 to section 444AC(2A).

Paragraph 16.38E mentions a similar change in section 444AC(5).

Paragraph 16.38LA deals with the repeal of section 444ACA ICTA.

Paragraph 16.39AA to 16.39AG covers section 444ABD, including changes made by the transfers of business regulations 2008.

Paragraph 16.39B contains a marker for prospective changes to section 444AE ICTA

Paragraph 16.51 covers transfers by an insurance company to a Friendly Society of business previously tax exempt in hand of a Friendly Society which transferred it to the insurance company.

Paragraph 16.60A covers the repeal of the formal clearances in section 211 TCGA and 444A ICTA.

Paragraph 16.61A covers other non-statutory corporation tax clearances and the legislation of certain, generally accepted, applications.

Paragraph 16.61B deals with VAT.

Paragraph 16.61C SDLT and Stamp Duty.

Paragraph 16.61D to 16.61G policyholder taxation and reliefs.

Paragraph 16.61H with OLAB compliance regulations.

Paragraph 16.61J deals with double tax treaties and non-deduction of tax.

Paragraph 16.62 deals with the change of handling of clearance applications following the repeal of formal clearances.

Paragraph 16.91 to 16.95 are amended to update in relation to domestications

Paragraphs 16.96A and 16.96B are inserted to deal with the changes as a result of the European Mergers Directive.

CHAPTER 16A

Is completely new and covers transfers of business on or after 1 July 2008

CHAPTER 17

Chapter 17, covering UK branches of overseas life insurance companies is still in preparation, and is not included in this interim publication.

CHAPTER 19 – DIRECTIVE FRIENDLY SOCIETIES 1995 ONWARDS

Paragraph 19.4A describes the changes to the definition of life or endowment business made by Finance Act 2007 and prospective, retrospective changes by Finance Bill 2008.

Paragraph 19.7 covers the change of name of taxable Class IV Business.

Paragraph 19.8 deals with the exclusion of gross roll-up business from life or endowment business, replacing previous exclusions for other categories of business.

Paragraph 19.15A introduces the 2007 Modification Regulations.

Paragraph 19.31 mentions the replacement of section 432 by section 431H; and paragraph 19.32 covers the modification of section 431H by the 2007 modification regulations.

In a number of places paragraphs refer to changes made by the 2007 modification regulations, reflecting changes made by Schedules 7 to 10 FA 2007.

Paragraph 19.214 to 19.241H covers the changes made to the treatment of conversions and transfers of business to insurance companies and the treatment of tax exempt life or endowment business and tax exempt other business, in the hands of the insurance company.

Paragraph 19.214F to 19.214M deal with transfers of tax exempt other business between Friendly Societies, prospectively included in Finance Bill 2008.

CHAPTER 20 – DIRECTIVE FRIENDLY SOCIETIES 1995 ONWARDS

The following paragraphs are amended to cover updates and clarifications

2, 3, 11, 21, 52A, 61, 104, 131, 133, 141 (and 142 added), 151 and 161.

Paragraph 20.156 is new and deals with GRB arising to a partnership pension society.