

**EXPLANATORY MEMORANDUM TO THE
FRIENDLY SOCIETIES (MODIFICATION OF THE CORPORATION TAX
ACTS) (AMENDMENT) REGULATIONS 2005**

2005 No. 2005

1. This explanatory memorandum has been prepared by the Commissioners for Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.
2. **Description**
 - 2.1 The instrument contains regulations modifying the tax legislation applying to companies carrying on life assurance business so as to make it applicable to friendly societies carrying on life assurance business (which is not entirely tax exempt). The Order makes amendments consequential on changes made by Financial Services Authority to the rules applying to insurance companies and friendly societies with effect for periods ending on 31 December 2004.
 - 2.2 The regulations will have effect for periods of account and accounting periods beginning on 1 January 2004. The power to make the regulations with retrospective effect is in section 463 of the Income & Corporation taxes Act 1988 (ICTA).
3. **Matters of special interest to the Select Committee on Statutory Instruments**

None.
4. **Legislative Background**

Friendly societies carrying on life assurance business are required by section 463 ICTA to be charged to corporation tax in the same way as a mutual life assurance company. But the provisions applying to such companies, primarily in Chapter 1 Part 12 ICTA cannot be applied without modification. The regulations supply those modifications. .
5. **Extent**

This instrument applies to the whole 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 Much of the corporation tax code for life assurance companies is based on entries in the regulatory return made by a company to the Financial Services Authority (FSA). The rules relating to that return are in the Interim Prudential Sourcebook (Insurers). But for all friendly societies until 2004, and for non-directive societies for 2004 and later, the relevant Sourcebook is the Interim Prudential Sourcebook (Friendly Societies).

7.2 Directive friendly societies are for 2004 governed only by the Insurers Sourcebook. Thus where SI 1997/473 refers now to the Friendly Societies Sourcebook in relation to all friendly societies, it needs to be amended to make it clear that such modifications relate only to non-directive societies.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no adverse impact on business, charities or voluntary bodies

8.2 The impact on the public sector is none.

9. Contact

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