EXPLANATORY MEMORANDUM

THE INSURANCE COMPANIES (RESERVES) (TAX) (AMENDMENT) REGULATIONS 2004

S.I. 2004 No. 3260

1. This explanatory memorandum has been prepared by the Commissioners of Inland Revenue and is laid before the House of Commons by Command of Her Majesty.

2. Description

2.1 These regulations amend the Insurance Companies (Reserves) (Tax) Regulations (SI 1996/2991) as a result of changes made by the FSA to their Handbooks of Rules.

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

3.1 None.

4. Legislative Background

4. These regulations are being made under powers conferred by sections 444BA to 444BD of the Income and Corporation Taxes Act 1988.

5. Extent

5.1 The instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 These regulations are subject to annulment and do not amend primary legislation.

7. Policy Background

7.1 Insurance company taxation is heavily dependent on, and in many instances takes its figures directly from, the regulatory return made under the Rules in the Handbook made by the FSA under the powers in the Financial Services and Markets Act 2000 (FISMA). Further, in a number of definitions the insurance company tax provisions adopt terms used in and defined in Regulations made under FISMA and in the Handbook Rules.

The FSA is about to make a number of instruments which will change substantially the regulatory regime for insurance companies. It is making a new Integrated Prudential Sourcebook and modifying the existing Interim Sourcebook for Insurers. As part of these changes the Equalisation reserve Rules currently in the Interim Prudential Sourcebook (Insurers) (IPRU(INS) move to the Integrated Prudential Sourcebook (PRU). The regulations replace a reference to IPRU(INS) by a reference to PRU.

8. Impact

8.1 A Regulatory Impact Assessment has not been published for this instrument.

8.2 The regulations will have no impact on the public sector.

9. Contact

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