

Special investment policies: breaches of conditions. CTA76 s36C; FA93 s11(f) 725.—(1) For the purposes of this section, a policy of life assurance held by an individual, whether married or not, shall not be a special investment policy at any particular time if—

(a) as respects the policy—

(i) a declaration of the kind specified in section 723 (4) has not been made, or

(ii) any of the conditions referred to in section 723 (3) is not satisfied at that time,

or

(b) as respects the individual, he or she has at that time a beneficial interest prohibited by section 839 in classes of investment mentioned in paragraphs (a) to (d) of subsection (1) of that section.

(2) Where an assurance company becomes aware at any time that a policy of life assurance which it has treated as a special investment policy is not such a policy—

(a) the assurance company shall ensure that in accordance with section 723 (2)(c) its special investment fund does not after that time represent its liability in respect of the policy, and

(b) for the purposes of the Tax Acts other than section 958 (4), the liability to corporation tax of the company for the accounting period in which it became aware that the policy was not a special investment policy shall be increased by an amount determined by the formula—

$$(A - B) \times 10 \frac{9}{10} \times S - 10 \frac{100}{100}$$

where—

A is the amount which was the assumed liability, other than the liability, if any, in respect of mortality cover, of the company in respect of the policy immediately before it became aware that the policy was not a special investment policy,

B is—

(i) the amount which was the liability, other than the liability, if any, in respect of mortality cover, of the company in respect of the policy when the policy ceased to be a special investment policy, or

(ii) if the policy was never a special investment policy, the amount of the aggregate of the payments received and not repaid by the company in respect of the policy, and

S is the standard rate per cent for the year of assessment in which that accounting period ends.