

### **Pre-Budget Report, November 2008: (Almost) no news for insurers**

This year's pre-Budget Report had been expected to involve material tax changes and an expansion of public spending to boost the economy. In the end it proved very uninteresting, with little to affect the taxation of life assurance companies. The areas likely to be of most interest to life actuaries are as follows:

- changes to the taxation of foreign profits in the Finance Bill 2009 to grant an exemption from tax on foreign dividends received by companies.
- The proposed new higher rate of income tax of 45% from April 2011 for those with incomes above £150,000. This will change the relative attractiveness of investments held in life insurance funds compared with those held directly by investors (such as unit trusts and OEICs) and so merits careful consideration. The chargeable events regime defers the taxation of income and gains until maturity or surrender of the bond. This can be beneficial where a life bond holder is a higher-rate tax payer now but is not so on exit; however, for a life bond holder who is a new higher rate taxpayer on exit, the change will be detrimental.

*Faculty and Institute Tax Working Party*