

SCHEDULES

SCHEDULE 2

Section 5.

TAXATION

Capital allowances

- 1 (1) For the purposes of the allowances and charges provided for by the Capital Allowances Act 1968 and by Part III of the Finance Act 1971 (capital allowances) the trade of an existing bank shall not be treated as permanently discontinued and the trade of its successor shall not be treated as a new trade set up and commenced by the successor.
- (2) There shall be made to or on the successor in accordance with those Acts all such allowances and charges as would, if the bank had continued to carry on the trade, have fallen to be made to or on it, and the amount of any such allowance or charge shall be computed as if the successor had been carrying on the trade since the bank began to do so and as if everything done to or by the bank had been done to or by the successor.
- (3) No transfer of assets from the bank to its successor effected by section 3 above shall be treated as giving rise to any such allowance or charge.

Chargeable gains

- 2 (1) For the purposes of the Capital Gains Tax Act 1979, the transfer of any assets effected by section 3 above shall be deemed to be for a consideration such that no gain or loss accrues to the transferor.
- (2) Schedule 5 to the Act of 1979 shall have effect in relation to any asset so transferred as if the acquisition or provision of it by the transferor had been the acquisition or provision of it by the transferee.
- (3) In paragraph 3 of Schedule 13 to the Finance Act 1982 (indexation: subsequent disposals following no gain/no loss disposals), the following shall be added at the end of sub-paragraph (3)—
 - “(e) paragraph 2 of Schedule 2 to the Trustee Savings Banks Act 1985.”.
- 3 (1) For the purposes of Chapter II of Part II of the Act of 1979 (computation of chargeable gains)—
 - (a) the shares in the successor to Trustee Savings Bank of the Channel Islands acquired by the new holding company on or before the vesting day shall be taken to have been so acquired for a consideration equal to the value of the assets transferred to the successor by section 3 above (as shown by the statutory accounts for the final financial year of Trustee Savings Bank of the Channel Islands) less the amount of any liabilities so transferred (as so shown); and

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(b) the shares in the other successors to the existing banks acquired by the new holding company on or before the vesting day shall be deemed to have been acquired by the new holding company before 6th April 1945 and for no consideration or incidental cost.

(2) For the purposes of paragraph 12 of Schedule 5 to the Act of 1979 (election for valuation at 6th April 1965) the market value of the shares mentioned in subparagraph (1)(b) above, shall be determined by applying the formula—

$$\pounds X = \pounds Y \times \frac{A}{B}$$

Where—

X is the market value of those shares;

Y is the value of the assets of the transferor (as shown by the statutory accounts for its final financial year) less the aggregate of the amount of its liabilities (as so shown) ;

A is the period beginning with 6th April 1945 and ending with 5th April 1965; and

B is the period beginning with 6th April 1945 and ending with the vesting day.

- 4 (1) Where the liability in respect of any debt owed to an existing bank, the existing holding company or the Central Board, is transferred by section 3 above, the transferee shall be treated as the original creditor for the purposes of section 134 of the Act of 1979 (debts).
- (2) On a 75 per cent, subsidiary (" the existing subsidiary ") of an existing bank becoming a 75 per cent subsidiary of the bank's successor, section 278 of the Taxes Act (company ceasing to be a member of a group) shall not have effect as respects any assets transferred (at any time) by the bank to the subsidiary ; but on the subsidiary ceasing to be a member of the group of companies (" the group") of which the successor and the new holding company are both members, section 278 of the Taxes Act shall apply as if the assets acquired by the subsidiary from the bank had been acquired by it from the bank's successor.
- (3) No provision made by this Act shall be treated, for the purposes of section 26 of the Act of 1979 (value-shifting), as a scheme or arrangement.
- (4) For the purposes of the Act of 1979, any allowable losses accruing in any accounting period to the Central Board or to an existing bank shall, so far as they have not been allowed as a deduction from chargeable gains, be treated as allowable losses which accrued in that accounting period to the new holding company or, as the case may be, successor.
- 5 For the purposes of the Act of 1979, gains arising on the disposal by the Central Board of any shares or rights to shares in the new holding company shall not be chargeable gains.

General

- 6 (1) Section 137 of the Taxes Act (valuation of trading stock on discontinuance of trade) shall not apply in relation to the discontinuance of the business of an existing bank.

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- (2) The transfer of any trading stock investment from an existing bank to its successor effected by section 3 above shall be treated, for the purposes of corporation tax, as not constituting a disposal of that investment by the bank; but on the disposal of any such investment by the successor, the gain or, as the case may be, loss accruing to the successor shall be calculated (for the purposes of corporation tax) as if the investment had been acquired by the successor for the same consideration as that for which it was acquired by the bank.
- (3) Where a gain or loss accrues to the successor to an existing trustee savings bank on the disposal of an exempt investment held by the bank on 21st November 1979, the provisions of subparagraphs (2) to (6) of paragraph 2, and (2) to (4) of paragraph 6, of Schedule 11 to the Finance Act 1980 shall apply in relation to the successor as they would apply to the bank if the investment had continued to be held until disposal by the bank and this Act had not been passed.
- (4) Subject to any claim made by an existing bank under subsection (2) of section 177 of the Taxes Act (set off of losses against total profits), its successor shall be entitled to relief under subsection (1) of that section (carry forward of losses), as for a loss sustained by the successor in carrying on the trade, for any amount for which the bank would have been entitled to claim relief if it had continued to carry on the trade.
- (5) Section 339(1) of the Taxes Act (exemption from corporation tax of income from certain investments of existing banks) shall apply in relation to the successor to an existing bank as it applied in relation to the bank.
- (6) Sections 339(2) and 304(5) of the Taxes Act (which deny to trustee savings banks certain benefits accorded to other savings banks) shall apply in relation to the successor to an existing bank and to any further successor as they applied in relation to the bank.
- (7) Paragraphs 3 and 4 of Schedule 11 to the Act of 1980 (restriction of allowable deductions and of charges on income) shall apply in relation to the successor to an existing trustee savings bank as they applied in relation to the bank.
- (8) Section 29 of the Finance Act 1973 (group relief: effect of arrangements for transfer of company to another group) shall not apply in relation to any transfer effected by section 3 above.

Deduction of tax from certain loan interest

- 7 (1) In paragraph 14(1) of Schedule 7 to the Finance Act 1982, for paragraph (f) (trustee savings banks to be qualifying lenders for purposes of section 26 of that Act) there shall be substituted with effect from the vesting day—
 - “(f) any company to which property and rights belonging to a trustee savings bank were transferred by section 3 of the Trustee Savings Banks Act 1985 ;”.
- (2) Section 26 of the Act of 1982 (deduction of tax from certain loan interest) shall have effect, on and after the vesting day, in relation to any loans made by an existing bank, as if the bank and its successor were a single qualifying lender.

Stamp duty

- 8 No transfer effected by section 3 above shall give rise to any liability to stamp duty.

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Interpretation

9 (1) In this Schedule—

" exempt investment" has the same meaning as in Schedule 11 to the Finance Act 1980 ;

" further successor ", in relation to the successor to an existing bank, means any body to which the bank's business, or any part of that business, is transferred after having been assumed by the successor ;

"the Taxes Act" means the Income and Corporation Taxes Act 1970 ;

" trading stock investment" means any investment on the disposal of which any gain or loss accruing would be treated as a trading profit or, as the case may be, loss for the purposes of Case I of Schedule D ; and

" transferee " and " transferor ", in relation to any transfer of property, rights, liabilities or obligations effected by section 3 above, means respectively the person to whom and the person from whom they are so transferred.

- (2) Paragraph 1 above shall be construed as one with the provisions mentioned there and the other provisions of this Schedule shall be construed, so far as they relate to corporation tax, as one with the Corporation Tax Acts and, so far as they relate to capital gains tax, as one with the Capital Gains Tax Act 1979.