

SCHEDULES

SCHEDULE 18

Section 63.

SECURITIES: OTHER PROVISIONS

Sale and re-purchase of securities

- 1 (1) In section 469 of the Taxes Act (sale and re-purchase of securities) the following shall be inserted after subsection (6)—
- “(6A) Subsections (1) and (2) above shall not apply where—
- (a) the securities are Eurobonds or foreign government stock, and
 - (b) the owner of the securities carries on a trade which consists wholly or partly in dealing in securities and the person who agrees to buy or acquire the securities carries on such a trade.
- (6B) Subsection (4) above shall not apply where—
- (a) the securities are Eurobonds or foreign government stock, and
 - (b) the person from whom the person there mentioned agrees to buy or acquire the securities carries on a trade which consists wholly or partly in dealing in securities.
- (6C) In subsections (6A) and (6B) above—
- “Eurobond” has the same meaning as in section 472(5) below, and
- “foreign government stock” means stock which is issued by a government other than that of the United Kingdom and is denominated in a currency other than sterling.”
- (2) Section 469 shall be treated as having been enacted with subsections (6A) to (6C).
- (3) The reference in section 472(3) of the Taxes Act to a transaction which is to be left out of account by virtue of section 469(4) shall include a reference to a transaction which would fall to be so left out of account apart from section 469(6B).
- (4) In section 469 the following shall be substituted for subsection (7)(b)—
- “(b) ‘securities’ includes stocks and shares, except securities which are securities for the purposes of Chapter IV of Part II of the Finance Act 1985 (accrued income scheme etc.).”
- (5) Sub-paragraph (4) above applies where the owner mentioned in section 469(1) agrees to sell or transfer, or (as the case may be) the person mentioned in section 469(4) agrees to buy or acquire, on or after such day as the Board may appoint for the purposes of this paragraph by order made by statutory instrument; and paragraph 41 of Schedule 23 to the Finance Act 1985 (section 469(1) and (2) not to apply in certain circumstances) shall cease to have effect where the owner agrees to sell or transfer on or after that day.

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Purchase and sale of securities

- 2 (1) In section 471 of the Taxes Act (purchase and sale of securities) the following shall be substituted for subsection (6)(c)—
- “(c) 'securities' includes stocks and shares, except securities which are securities for the purposes of Chapter IV of Part II of the Finance Act 1985 (accrued income scheme etc.).”
- (2) Sub-paragraph (1) above applies where the first buyer purchases after 18th March 1986; and section 475(6) of the Taxes Act and paragraph 42 of Schedule 23 to the Finance Act 1985 shall cease to have effect where the first buyer purchases after that date.
- 3 (1) In section 472 of the Taxes Act (dealers in securities) the following shall be substituted for subsection (2)—
- “(2) Subsection (1) of this section shall not apply if the subsequent sale is carried out by the first buyer in the ordinary course of his business as a market maker in securities of the kind concerned.”
- (2) At the end of that section there shall be inserted—
- “(6) For the purposes of subsection (2) of this section a person is a market maker in securities of a particular kind if he—
- (a) holds himself out at all normal times in compliance with the rules of The Stock Exchange as willing to buy and sell securities of that kind at a price specified by him, and
- (b) is recognised as doing so by the Council of The Stock Exchange.”
- (3) This paragraph applies where the subsequent sale is carried out by the first buyer on or after the day of The Stock Exchange reforms.
- 4 (1) The Board may by regulations provide for all or any of the following—
- (a) that section 472(2) of the Taxes Act (as substituted by paragraph 3(1) above) shall not apply unless the subsequent sale is carried out in compliance with further conditions specified in the regulations;
- (b) that section 472(6) of that Act (as inserted by paragraph 3(2) above) shall have effect as if the reference to The Stock Exchange in paragraph (a) were to any recognised investment exchange or to any of those exchanges specified in the regulations, and as if the reference to the Council of The Stock Exchange in paragraph (b) were to the investment exchange concerned;
- (c) that for section 475(3) and (5) of that Act (which refer to The Stock Exchange Daily Official List) there shall be substituted such provisions as the Board think fit to take account of recognised investment exchanges.
- (2) The regulations shall apply where the subsequent sale is carried out by the first buyer on or after such day, after the day of The Stock Exchange reforms, as is specified in the regulations.

Manufactured dividends

- 5 (1) Section 477 of the Taxes Act (manufactured dividends) shall be amended as follows—

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- (a) in subsection (1), in paragraph (a), for the words "the seller is required to pay to the purchaser" there shall be substituted the words "one of the parties to the contract (the dividend manufacturer) is required to pay to the other";
 - (b) in that subsection, in paragraph (b) and the words following it, for the word "seller" (in each place) there shall be substituted the words "dividend manufacturer";
 - (c) in subsection (3) after the word "sold" there shall be inserted the words "or purchased";
 - (d) in subsection (4) for the word "seller" there shall be substituted the words "dividend manufacturer";
 - (e) in subsection (5) for the words "seller under" there shall be substituted the words "dividend manufacturer in relation to" and for the word "seller" (in the other two places) there shall be substituted the words "dividend manufacturer".
 - (2) Sub-paragraph (1) above applies where the contract for the sale of securities is made after 18th March 1986.
- 6 (1) Section 477 of the Taxes Act shall also be amended as provided by this paragraph.
- (2) In subsection (3) for the word "jobber" (in the first place where it occurs) there shall be substituted the words "market maker" and for the word "jobber" (in the second place where it occurs) there shall be substituted the words "market maker in securities of the kind concerned".
 - (3) In subsection (6) the following shall be substituted for the definitions of "broker" and "jobber"—
 - ““broker”, in relation to securities, means a member of The Stock Exchange who carries on his business in the United Kingdom and is not, at the time the contract for the sale of the securities is made, a market maker in securities of the kind concerned,
 - “market maker”, in relation to securities of a particular kind, means a person who—
 - (a) holds himself out at all normal times in compliance with the rules of The Stock Exchange as willing to buy and sell securities of that kind at a price specified by him, and
 - (b) is recognised as doing so by the Council of The Stock Exchange,”.
 - (4) Sub-paragraphs (2) and (3) above apply where the contract for the sale of securities is made on or after the day of The Stock Exchange reforms.
 - (5) The Board may by regulations provide that section 477(6) (as amended by sub-paragraph (3) above) shall have effect—
 - (a) as if references to The Stock Exchange in the definition of "broker" and in paragraph (a) of the definition of "market maker" were to any recognised investment exchange or to any of those exchanges specified in the regulations, and
 - (b) as if the reference to the Council of The Stock Exchange in paragraph (b) of the definition of "market maker" were to the investment exchange concerned.

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- (6) Regulations under sub-paragraph (5) above shall apply where the contract for the sale of securities is made on or after such day, after the day of The Stock Exchange reforms, as is specified in the regulations.

Information

- 7 (1) In section 21 of the Taxes Management Act 1970 (stock jobbers' transactions) in subsections (1), (2) and (4) for the word "jobber" (in each place) there shall be substituted the words "market maker" and in subsection (5) for the word "jobbers" there shall be substituted the words "market makers".
- (2) In subsection (7) of section 21 the following shall be substituted for the definitions of "broker" and "jobber"—
- ““broker”, in relation to securities, means a member of The Stock Exchange who carries on his business in the United Kingdom and is not a market maker in securities of the kind concerned;
- “market maker”, in relation to securities, means a person who—
- (a) holds himself out at all normal times in compliance with the rules of The Stock Exchange as willing to buy and sell securities of the kind concerned at a price specified by him, and
- (b) is recognised as doing so by the Council of The Stock Exchange;”.
- (3) Sub-paragraphs (1) and (2) above apply in relation to transactions effected on or after the day of The Stock Exchange reforms.
- (4) The Board may by regulations provide that section 21(7) (as amended by sub-paragraph (2) above) shall have effect—
- (a) as if references to The Stock Exchange in the definition of "broker" and in paragraph (a) of the definition of "market maker" were to any recognised investment exchange or to any of those exchanges specified in the regulations, and
- (b) as if the reference to the Council of The Stock Exchange in paragraph (b) of the definition of "market maker" were to the investment exchange concerned.
- (5) Regulations under sub-paragraph (4) above shall apply in relation to transactions effected on or after such day, after the day of The Stock Exchange reforms, as is specified in the regulations.
- 8 (1) In section 25 of the Taxes Management Act 1970 (information: chargeable gains) in subsection (4) for the word "jobber" there shall be substituted the words "market maker".
- (2) At the end of section 25 there shall be inserted—
- “(10) In this section "market maker", in relation to shares or securities, means a person who—
- (a) holds himself out at all normal times in compliance with the rules of The Stock Exchange as willing to buy and sell shares or securities of the kind concerned at a price specified by him, and
- (b) is recognised as doing so by the Council of The Stock Exchange.”
- (3) Sub-paragraphs (1) and (2) above apply in relation to transactions on or after the day of The Stock Exchange reforms.

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- (4) The Board may by regulations provide that—
- (a) subsections (4) and (5) of section 25 and paragraph (a) of subsection (10) (as inserted by sub-paragraph (2) above) shall have effect as if references to The Stock Exchange were to any recognised investment exchange or to any of those exchanges specified in the regulations, and
 - (b) paragraph (b) of subsection (10) shall have effect as if the reference to the Council of The Stock Exchange were to the investment exchange concerned.
- (5) Regulations under sub-paragraph (4) above shall apply in relation to transactions effected on or after such day, after the day of The Stock Exchange reforms, as is specified in the regulations.

Miscellaneous

- 9 (1) The Board may by regulations—
- (a) substitute for section 477(3) of the Taxes Act a provision that section 477(1) shall not apply to such persons and in such circumstances as are specified in the substituted provision;
 - (b) substitute for section 21(1) of the Taxes Management Act 1970 a provision that the Board may exercise the powers conferred by section 21 in such circumstances as are specified in the substituted provision;
 - (c) make such incidental and consequential provisions (which may include the amendment of other provisions of section 477 or section 21) as appear to the Board to be appropriate.
- (2) So far as they relate to section 477, the regulations shall apply where the contract for the sale of securities is made on or after such day, after the day of The Stock Exchange reforms, as is specified in the regulations.
- (3) So far as they relate to section 21, the regulations shall apply in relation to transactions effected on or after such day, after the day of The Stock Exchange reforms, as is specified in the regulations.

General

- 10 (1) In this Schedule "the day of The Stock Exchange reforms" means the day on which the rule of The Stock Exchange that prohibits a person from carrying on business as both a broker and a jobber is abolished.
- (2) In this Schedule "recognised investment exchange" means a recognised investment exchange within the meaning of the Financial Services Act 1986.
- (3) Any power to make regulations under this Schedule shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.