



Finance Act 1986

1986 CHAPTER 41

PART III

STAMP DUTY

Loan capital, letters of allotment etc.

79 Loan capital: new provisions.

^{F1}(1)

- (2) Stamp duty under [^{F2}Schedule 15 to the Finance Act 1999 (bearer instruments)] shall not be chargeable on the issue of an instrument which relates to loan capital or on the transfer of the loan capital constituted by, or transferable by means of, such an instrument.
- (3) Stamp duty shall not be chargeable on an instrument which transfers loan capital issued or raised by —
 - (a) the financial support fund of the Organisation for Economic Co-operation and Development,
 - (b) the Inter-American Development Bank, or
 - (c) an organisation which was a designated international organisation at the time of the transfer (whether or not it was such an organisation at the time the loan capital was issued or raised).
- (4) Subject to subsections (5) and (6) below, stamp duty shall not be chargeable on an instrument which transfers any other loan capital.
- (5) Subsection (4) above does not apply to an instrument transferring loan capital which, at the time the instrument is executed, carries a right (exercisable then or later) of conversion into shares or other securities, or to the acquisition of shares or other securities, including loan capital of the same description.

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- (6) Subject to [F³subsections (7) to (7B)] below, subsection (4) above does not apply to an instrument transferring loan capital which, at the time the instrument is executed or any earlier time, carries or has carried —
- (a) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital,
 - (b) a right to interest the amount of which falls or has fallen to be determined to any extent by reference to the results of, or of any part of, a business or to the value of any property, or
 - (c) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of The Stock Exchange.
- (7) Subsection (4) above shall not be prevented from applying to an instrument by virtue of subsection (6)(a) or (c) above by reason only that the loan capital concerned carries a right to interest, or (as the case may be) to an amount payable on repayment, determined to any extent by reference to an index showing changes in the general level of prices payable in the United Kingdom over a period substantially corresponding to the period between the issue or raising of the loan capital and its repayment.
- [F⁴(7A) Subsection (4) above shall not be prevented from applying to an instrument by virtue of subsection (6)(b) above by reason only that the loan capital concerned carries a right to interest which—
- (a) reduces in the event of the results of a business or part of a business improving, or the value of any property increasing, or
 - (b) increases in the event of the results of a business or part of a business deteriorating, or the value of any property diminishing.]
- [F⁵(7B) Subsection (4) shall not be prevented from applying to a capital market instrument by virtue of subsection (6)(b) by reason only that the capital market investment concerned carries or has carried a right to interest which ceases or reduces if, or to the extent that, the issuer, after meeting or providing for other obligations specified in the capital market arrangement concerned, has insufficient funds available from that capital market arrangement to pay all or part of the interest otherwise due.]
- [F⁶(8) Where stamp duty is chargeable under Part I of Schedule 13 to the Finance Act 1999 (conveyance or transfer on sale) on an instrument which transfers loan capital, the rate at which duty is charged under that Part shall be 0.5% of the amount or value of the consideration for the sale to which the instrument gives effect.]
- [F⁷(8A) In the application of this section to loan capital that falls within paragraph (d) of section 78(7) (alternative finance investment bonds)—
- (a) subsection (6) has effect as if—
 - (i) paragraph (a) were omitted, and
 - (ii) for paragraph (c) there were substituted—
 - “(c) a right at the end of the bond term (within the meaning of [F⁸section 564G(1) of the Income Tax Act 2007][F⁹or section 507(1) of the Corporation Tax Act 2009]) to a payment of an amount that exceeds the aggregate of—
 - (i) the amount paid for the issue of the bond, and
 - (ii) the notional payment amount;

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and for this purpose the “notional payment amount” means the amount of the payments that would represent a reasonable commercial return (within the meaning of [F8]section 564G(1) of the Income Tax Act 2007[[F9]or section 507(1) of the Corporation Tax Act 2009]) on the bond over the bond term, less the amount of the payments actually made.”,

- (b) subsections (6)(b), (7), (7A), (7B) and (13) have effect as if references to interest were references to additional payments (“additional payments” having the same meaning as in [F10]section 564G of the Income Tax Act 2007[[F11]or section 507 of the Corporation Tax Act 2009]), and
- (c) subsections (7B) and (13) also have effect as if—
 - (i) references to a capital market investment were references to the loan capital falling within paragraph (d) of section 78(7), and
 - (ii) references to a capital market arrangement were to the arrangements under which that loan capital is raised.]

F1(9)

F1(10)

F1(11)

(12) Subsections (7), (9) F12... of section 78 above shall apply as if references to that section included references to this.

[F13(13) In this section—

“capital market instrument” means an instrument transferring a capital market investment issued as part of a capital market arrangement, and

“capital market investment” and “capital market arrangement” have the same meaning as in section 72B of the Insolvency Act 1986 (see paragraphs 1 to 3 of Schedule 2A to that Act).]

Textual Amendments

- F1** S. 79(1)(9)-(11) repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. V(2) Notes 1, 2 of the amending Act) by [Finance Act 1999 \(c. 16\), s. 138, Sch. 20 Pt. V\(2\)](#)
- F2** Words in s. 79(2) substituted (with application as mentioned in s. 113(4) of the amending Act) by [Finance Act 1999 \(c. 16\), s. 113\(3\), Sch. 16 para. 5](#)
- F3** Words in s. 79(6) substituted (with effect in accordance with s. 101(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 101\(2\)](#)
- F4** S. 79(7A) inserted (with effect as mentioned in s. 133(2)(3) of the amending Act) by [Finance Act 2000 \(c. 17\), s. 133\(1\)](#)
- F5** S. 79(7B) inserted (with effect in accordance with s. 101(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 101\(3\)](#)
- F6** S. 79(8) substituted (with effect as mentioned in s. 112(6) of the amending Act) by [Finance Act 1999 \(c. 16\), s. 112\(4\), Sch. 14 para. 17](#) (with s. 122)
- F7** S. 79(8A) inserted (with effect in accordance with s. 154(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 154\(3\)](#)
- F8** Words in s. 79(8A)(a)(ii) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 196\(a\)](#) (with Sch. 9 paras. 1-9, 22)

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- F9** Words in s. 79(8A)(a)(ii) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 324(a)** (with Sch. 2 Pts. 1, 2)
- F10** Words in s. 79(8A)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 196(b)** (with Sch. 9 paras. 1-9, 22)
- F11** Words in s. 79(8A)(b) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 324(b)** (with Sch. 2 Pts. 1, 2)
- F12** Words in s. 79(12) repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. V(2) Notes 1, 2 of the amending Act) by Finance Act 1999 (c. 16), s. 139, **Sch. 20 Pt. V(2)**
- F13** S. 79(13) inserted (with effect in accordance with s. 101(5) of the amending Act) by Finance Act 2008 (c. 9), s. **101(4)**

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1986, Section 79.