



# Finance Act 1986

## 1986 CHAPTER 41

### PART III

#### STAMP DUTY

*Loan capital, letters of allotment etc.*

#### **79 Loan capital: new provisions**

- (1) The following provisions shall cease to have effect—
  - (a) in section 62 of the Finance Act 1963, subsections (2) and (6) (commonwealth stock);
  - (b) in section 11 of the Finance Act (Northern Ireland) 1963, subsections (2) and (5) (commonwealth stock);
  - (c) section 29 of the Finance Act 1967 (local authority capital);
  - (d) section 6 of the Finance Act (Northern Ireland) 1967 (local authority capital);
  - (e) section 126 of the Finance Act 1976 (loan capital).
- (2) Stamp duty under the heading "Bearer Instrument" in Schedule 1 to the Stamp Act 1891 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).

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*Status: This is the original version (as it was originally enacted).*

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- (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.
- (6) Subject to subsection (7) 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.
- (8) Where stamp duty under the heading "Conveyance or Transfer on Sale" in Schedule 1 to the Stamp Act 1891 is chargeable on an instrument which transfers loan capital, the rate at which the duty is charged under that heading shall be the rate of 50p for every £100 or part of £100 of the amount or value of the consideration for the sale to which the instrument gives effect.
- (9) This section applies to any instrument which falls within section 60(1) of the Finance Act 1963 and is issued after 31st July 1986.
- (10) This section applies to any instrument which falls within section 60(2) of that Act if the loan capital constituted by or transferable by means of it is transferred after 31st July 1986.
- (11) This section applies, in the case of instruments not falling within section 60(1) or (2) of that Act, to any instrument which is executed after 31st July 1986.
- (12) Subsections (7), (9), (10) and (14) of section 78 above shall apply as if references to that section included references to this.