

*Status: Point in time view as at 25/07/1991.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1991, SCHEDULE 10. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 10

Section 51.

#### BUILDING SOCIETIES: QUALIFYING SHARES

##### *Capital gains: exemption*

- 1 (1) Section 64 of the <sup>M1</sup>Finance Act 1984 (qualifying corporate bonds) shall be amended as follows.
- (2) After subsection (3D) there shall be inserted—
- “(3E) For the purposes of this section “corporate bond also includes a share in a building society—
- (a) which is a qualifying share,
  - (b) which is expressed in sterling, and
  - (c) in respect of which no provision is made for conversion into, or redemption in, a currency other than sterling.
- (3F) For the purposes of subsection (3E) above, a share in a building society is a qualifying share if—
- (a) it is a permanent interest bearing share, or
  - (b) it is of a description specified in regulations made by the Treasury for the purposes of this paragraph.
- (3G) Subsection (3) above applies for the purposes of subsection (3E) above as it applies for the purposes of subsection (2)(c) above, treating the reference to a security as a reference to a share.”
- (3) After subsection (8) there shall be inserted—
- “(9) In this section—
- “building society means a building society within the meaning of the Building Societies Act 1986,
  - “permanent interest bearing share has the same meaning as in the Building Societies (Designated Capital Resources) (Permanent Interest Bearing Shares) Order 1991.
- (10) The Treasury may by regulations provide that for the definition of the expression “permanent interest bearing share in subsection (9) above (as it has effect for the time being) there shall be substituted a different definition of that expression.
- (11) Regulations under subsection (3F)(b) or (10) above may contain such supplementary, incidental, consequential or transitional provision as the Treasury think fit.

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- (12) The power to make regulations under subsection (3F)(b) or (10) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.”
- (4) This paragraph shall apply in relation to disposals on or after the day on which this Act is passed.
- (5) This paragraph shall not have effect in relation to the application of section 64 for the purposes of section 136A of the <sup>M2</sup>Capital Gains Tax Act 1979.

#### Marginal Citations

**M1** 1984 c. 43.

**M2** 1979 c. 14.

#### *Accrued income scheme: inclusion*

- 2 (1) Section 710 of the Taxes Act 1988 (meaning of “securities” for the purposes of the accrued income scheme) shall be amended as follows.
- (2) In subsection (2), after “ “Securities” does not” there shall be inserted “, except as provided by subsection (2A) below, ”.
- (3) After that subsection there shall be inserted—
- “(2A) “Securities includes shares in a building society which are qualifying shares for the purposes of section 64(3E) of the Finance Act 1984 (qualifying corporate bonds).”
- (4) This paragraph shall have effect in relation to the application of sections 711 to 728 of the Taxes Act 1988 to transfers of securities on or after the day on which this Act is passed.

#### *Incidental costs of issue*

- 3 (1) The following section shall be inserted after section 477A of the Taxes Act 1988—
- “477B Building societies: incidental costs of issuing qualifying shares.**
- (1) In computing for the purposes of corporation tax the income of a building society from the trade carried on by it, there shall be allowed as a deduction, if subsection (2) below applies, the incidental costs of obtaining finance by means of issuing shares in the society which are qualifying shares.
- (2) This subsection applies if any amount payable in respect of the shares by way of dividend or interest is deductible in computing for the purposes of corporation tax the income of the society from the trade carried on by it.
- (3) In subsection (1) above, “the incidental costs of obtaining finance means expenditure on fees, commissions, advertising, printing and other incidental matters (but not including stamp duty), being expenditure wholly and exclusively incurred for the purpose of obtaining the finance (whether or not it is in fact obtained), or of providing security for it or of repaying it.

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- (4) This section shall not be construed as affording relief—
- (a) for any sums paid in consequence of, or for obtaining protection against, losses resulting from changes in the rate of exchange between different currencies, or
  - (b) for the cost of repaying qualifying shares so far as attributable to their being repayable at a premium or to their having been issued at a discount.

- (5) In this section—
- “dividend has the same meaning as in section 477A, and
  - “qualifying share has the same meaning as in section 64(3E) of the Finance Act 1984.”

- (2) This paragraph shall apply in relation to costs incurred on or after the day on which this Act is passed.

*Preferential rights of acquisition*

- 4 (1) This paragraph applies where, on or after the day on which this Act is passed, a building society confers—
- (a) on its members, or
  - (b) on any particular class or description of its members,
- any rights to acquire, in priority to other persons, shares in the society which are qualifying shares.
- (2) Any such right so conferred shall be regarded for the purposes of capital gains tax as an option granted to, and acquired by, the member concerned for no consideration and having no value at the time of that grant and acquisition.
- (3) In this paragraph—
- “building society means a building society within the meaning of the <sup>M3</sup>Building Societies Act 1986;
  - “member includes former member;
  - “qualifying share has the same meaning as in section 64(3E) of the <sup>M4</sup>Finance Act 1984.

**Marginal Citations**

**M3** 1986 c. 53.

**M4** 1984 c. 43.

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