
Status: Point in time view as at 25/07/1991.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 12. (See end of Document for details)

SCHEDULES

SCHEDULE 12

Section 54.

SECURITIES: NEW ISSUES

General treatment of extra return

1 The following section shall be inserted after section 587 of the Taxes Act 1988—

“587A New issues of securities: extra return.

- (1) This section applies where—
 - (a) securities (old securities) of a particular kind are issued by way of the original issue of securities of that kind,
 - (b) on a later occasion securities (new securities) of the same kind are issued,
 - (c) a sum (the extra return) is payable in respect of the new securities, by the person issuing them, to reflect the fact that interest is accruing on the old securities,
 - (d) the issue price of the new securities includes an element (whether or not separately identified) representing payment for the extra return, and
 - (e) the extra return is equal to the amount of interest payable for the relevant period on so many old securities as there are new (or, if there are more new securities than old, the amount of interest which would be so payable if there were as many old securities as new).
- (2) Anything payable or paid by way of the extra return shall be treated for the purposes of the Tax Acts as payable or paid by way of interest (to the extent that it would not be so treated apart from this subsection).
- (3) But as regards any payment by way of the extra return, relief shall not be given under any provision of the Tax Acts to the person by whom the new securities are issued; and “relief here means relief by way of deduction in computing profits or gains or deduction or set off against income or total profits.
- (4) For the purposes of this section securities are of the same kind if they are treated as being of the same kind by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange.
- (5) For the purposes of this section the relevant period is the period beginning with the day following the relevant day and ending with the day on which the new securities are issued.
- (6) For the purposes of this section the relevant day is—

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- (a) the last (or only) interest payment day to fall in respect of the old securities before the day on which the new securities are issued, or
- (b) the day on which the old securities were issued, in a case where no interest payment day fell in respect of them before the day on which the new securities are issued;

and an interest payment day, in relation to the old securities, is a day on which interest is payable under them.”

Accrued income scheme

2 The following section shall be inserted after section 726 of the Taxes Act 1988—

“726A New issues of securities.

(1) This section applies where—

- (a) securities (old securities) of a particular kind are issued by way of the original issue of securities of that kind,
- (b) on a later occasion securities (new securities) of the same kind are issued,
- (c) a sum (the extra return) is payable in respect of the new securities, by the person issuing them, to reflect the fact that interest is accruing on the old securities,
- (d) the issue price of the new securities includes an element (whether or not separately identified) representing payment for the extra return, and
- (e) the extra return is equal to the amount of interest payable for the relevant period on so many old securities as there are new (or, if there are more new securities than old, the amount of interest which would be so payable if there were as many old securities as new).

(2) For the purposes of sections 710 to 728—

- (a) the new securities shall be treated as having been issued on the relevant day;
- (b) they shall be treated as transferred to the person to whom they are in fact issued (though not treated as transferred by any person);
- (c) the transfer shall be treated as a transfer with accrued interest and as made on the day on which the new securities are in fact issued;
- (d) that day shall be treated as the settlement day (notwithstanding section 712);

but this subsection is subject to subsection (7) below.

(3) If the new securities are in fact issued under an arrangement by virtue of which the acquirer accounts to the issuer separately for the extra return mentioned in subsection (1) above and the rest of the issue price, in relation to the transfer mentioned in subsection (2)(b) above—

- (a) section 713(4) shall not apply, and
- (b) for the purposes of section 713(2) the accrued amount shall be the amount found under subsection (4) or (5) below (as the case may be);

and here “the acquirer means the person to whom the new securities are in fact issued and “the issuer means the person by whom they are in fact issued.

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- (4) Subject to subsection (5) below, the amount is one equal to the amount (if any) of the extra return separately accounted for.
- (5) If the interest on the new securities is payable in a currency other than sterling, the amount is the sterling equivalent on the settlement day of the amount found under subsection (4) above; and for this purpose the sterling equivalent of an amount on the settlement day is the sterling equivalent calculated by reference to the London closing rate of exchange for that day.
- (6) If the new securities are in fact issued otherwise than as mentioned in subsection (3) above, section 713(4)(b) shall apply in relation to the transfer mentioned in subsection (2)(b) above.
- (7) If the new securities are securities to which section 717 applies (after applying subsection (2)(a) above) subsection (2)(b) to (d) above shall not apply.
- (8) For the purposes of this section the relevant period is the period beginning with the day following the relevant day and ending with the day on which the new securities are in fact issued.
- (9) For the purposes of this section the relevant day is—
 - (a) the last (or only) interest payment day to fall in respect of the old securities before the day on which the new securities are in fact issued, or
 - (b) the day on which the old securities were issued, in a case where no interest payment day fell in respect of them before the day on which the new securities are in fact issued.”

Deep discount securities

- 3 In Schedule 4 to the Taxes Act 1988 the following shall be inserted after paragraph 11A—

Issue price

- “11B (1) This paragraph applies where—
- (a) securities (old securities) of a particular kind are issued by way of the original issue of securities of that kind,
 - (b) on a later occasion securities (new securities) of the same kind are issued,
 - (c) a sum (the extra return) is payable in respect of each new security, by the person issuing it, to reflect the fact that interest is accruing on the old securities,
 - (d) the issue price of each new security includes an element (whether or not separately identified) representing payment for the extra return, and
 - (e) the extra return is equal to the amount of interest payable for the relevant period on each old security.

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- (2) In such a case, the issue price of each new security shall be deemed for the purposes of paragraphs 1(1)(a), (e) and (h) and 11(2) and (3) above to be its actual issue price less an amount equal to the extra return payable in respect of the security.
- (3) For the purposes of this paragraph securities are of the same kind if they are treated as being of the same kind by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange.
- (4) For the purposes of this paragraph the relevant period is the period beginning with the day following the relevant day and ending with the day on which the new securities are issued.
- (5) For the purposes of this paragraph the relevant day is—
 - (a) the last day of the last (or only) income period to end in respect of the old securities before the day on which the new securities are issued, or
 - (b) the day on which the old securities were issued, in a case where no income period ended in respect of them before the day on which the new securities are issued.”

Deep gain securities

- 4 In Schedule 11 to the ^{M1}Finance Act 1989 the following shall be inserted after paragraph 3—

Issue price

- “3A (1) This paragraph applies where—
- (a) securities (old securities) of a particular kind are issued by way of the original issue of securities of that kind,
 - (b) on a later occasion securities (new securities) of the same kind are issued,
 - (c) a sum (the extra return) is payable in respect of each new security, by the person issuing it, to reflect the fact that interest is accruing on the old securities,
 - (d) the issue price of each new security includes an element (whether or not separately identified) representing payment for the extra return, and
 - (e) the extra return is equal to the amount of interest payable for the relevant period on each old security.
- (2) In such a case, the issue price of each new security shall be deemed for the purposes of paragraph 1(9) above to be its actual issue price less an amount equal to the extra return payable in respect of the security.
 - (3) For the purposes of this paragraph securities are of the same kind if they are treated as being of the same kind by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange.

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- (4) For the purposes of this paragraph the relevant period is the period beginning with the day following the relevant day and ending with the day on which the new securities are issued.
- (5) For the purposes of this paragraph the relevant day is—
- (a) the last (or only) interest payment day to fall in respect of the old securities before the day on which the new securities are issued, or
 - (b) the day on which the old securities were issued, in a case where no interest payment day fell in respect of them before the day on which the new securities are issued;
- and an interest payment day, in relation to the old securities, is a day on which interest is payable under them.”

Marginal Citations

M1 1989 c. 26.

General

- 5 This Schedule applies if the new securities are issued on or after 19th March 1991 (whether the old securities are issued before or on or after that day).

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