



Finance Act 1995

1995 CHAPTER 4

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Debts

89 Application of ss.63 to 66 to debts held by associates of banks

- (1) A debt is a qualifying debt for the purposes of sections 63 to 66 of the Finance Act 1993 (deemed periodic disposal of certain debts) at any time if, at that time, the person entitled to the debt is a company which—
 - (a) is resident in the United Kingdom, and
 - (b) is an associated company of a company (whether or not itself resident in the United Kingdom) which carries on a banking business in the United Kingdom, and the debt is not an exempted debt as defined by the following provisions.
- (2) A debt is an exempted debt for those purposes at any time if at that time it is held by the company entitled to it for the purposes of long term insurance business.
- (3) A debt is an exempted debt for those purposes at any time if each of the first, second and third conditions mentioned below—
 - (a) is fulfilled at that time,
 - (b) has been fulfilled throughout so much of the period of the debt as falls before that time, and
 - (c) is likely to be fulfilled throughout so much of that period as falls after that time.
- (4) The first condition is that the terms of the debt provide that any interest carried by it shall be at a rate which falls into one, and one only, of the following categories—
 - (a) a fixed rate which is the same throughout the period of the debt,
 - (b) a rate which bears to a standard published rate the same fixed relationship throughout that period, and

Status: This is the original version (as it was originally enacted).

- (c) a rate which bears to a published index of prices the same fixed relationship throughout that period.
- (5) The second condition is that those terms provide for any such interest to be payable as it accrues at intervals of 12 months or less.
- (6) The third condition is that the terms of the debt are not such—
- (a) in the case of a debt on a security, that the security is a deep discount or deep gain security, or
 - (b) in any other case, that if the debt were a debt on a security it would be a deep discount or deep gain security.
- In this subsection “deep discount security” has the same meaning as in Schedule 4 to the Taxes Act 1988 and “deep gain security” has the same meaning as in Schedule 11 to the Finance Act 1989, disregarding paragraph 1(4)(c) of that Schedule.
- (7) In this section—
- “associated company” shall be construed in accordance with section 416 of the Taxes Act 1988;
 - “long term insurance business” means insurance business of any of the classes specified in Schedule 1 to the Insurance Companies Act 1982; and
 - “published index of prices” means the retail prices index or any similar general index of prices which is published by, or by an agent of, the government of any territory outside the United Kingdom.
- (8) In sections 63 to 66 of the Finance Act 1993 as they apply by virtue of this section “the creditor company” means the company identified in subsection (1) above as the person entitled to the debt.
- (9) In sections 63 to 66 of the Finance Act 1993 as they apply by virtue of this section “the commencement date” means—
- (a) in relation to a debt not falling within subsection (10) below, 29th November 1994; and
 - (b) in relation to a debt falling within that subsection, 1st April 1996.
- (10) A debt falls within this subsection if the person liable for it is—
- (a) an institution which is a higher education institution for the purposes of section 65 of the Further and Higher Education Act 1992 or Article 30 of the Education and Libraries (Northern Ireland) Order 1993,
 - (b) an institution which is an institution within the higher education sector for the purposes of the Further and Higher Education (Scotland) Act 1992, or
 - (c) a registered housing association within the meaning of the Housing Associations Act 1985 or Part II of the Housing (Northern Ireland) Order 1992,

and that person was so liable at the end of 28th November 1994.