
Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Paragraph 62. (See end of Document for details)

SCHEDULES

SCHEDULE 14

LOAN RELATIONSHIPS: MINOR AND CONSEQUENTIAL AMENDMENTS

The Taxation of Chargeable Gains Act 1992 (c. 12)

62 After section 117 of that Act there shall be inserted the following sections—

“117A Assets that are not qualifying corporate bonds for corporation tax purposes.

- (1) An asset to which this section applies is not a qualifying corporate bond for the purposes of corporation tax in relation to any disposal of that asset.
- (2) This section applies to any asset representing a loan relationship of a company where—
 - (a) subsection (3) or (4) below applies to the asset; and
 - (b) it is held in exempt circumstances.
- (3) This subsection applies to an asset if—
 - (a) the settlement currency of the debt to which it relates is a currency other than sterling; and
 - (b) that debt is not a debt on a security.
- (4) This subsection applies to an asset if the debt to which it relates is a debt on a security and is in a foreign currency.
- (5) For the purposes of subsection (4) above a debt is a debt in a foreign currency if it is—
 - (a) a debt expressed in a currency other than sterling;
 - (b) a debt the amount of which in sterling falls at any time to be determined by reference to the value at that time of a currency other than sterling; or
 - (c) subject to subsection (6) below, a debt as respects which provision is made for its conversion into, or redemption in, a currency other than sterling.
- (6) A debt is not a debt in a foreign currency for those purposes by reason only that provision is made for its redemption on payment of an amount in a currency other than sterling equal, at the rate prevailing at the date of redemption, to a specified amount in sterling.
- (7) The provisions specified in subsection (8) below, so far as they require a disposal to be treated as a disposal on which neither a gain nor a loss accrues, shall not apply to any disposal of an asset to which this section applies.
- (8) The provisions referred to in subsection (7) above are—

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- (a) sections 139, 140A, 171 and 172 of this Act; and
 - (b) section 486(8) of the Taxes Act.
- (9) Paragraph 3 of Schedule 17 to the ^{M1}Finance Act 1993 shall have effect for construing the reference in subsection (2)(b) above to exempt circumstances as if references to a currency were references to the debt to which the relationship relates.
- (10) In this section “security” includes a debenture that is deemed to be a security for the purposes of section 251 by virtue of subsection (6) of that section.

117B Holdings in unit trusts and offshore funds excluded from treatment as qualifying corporate bonds.

- (1) For the purposes of corporation tax an asset to which this section applies is not a qualifying corporate bond in relation to any disposal of that asset in an accounting period for which that asset falls, under paragraph 4 of Schedule 10 to the Finance Act 1996 (holdings in unit trusts and offshore funds), to be treated as a right under a creditor relationship of a company.
- (2) This section applies to an asset which is comprised in a relevant holding (within the meaning of paragraph 4 of Schedule 10 to the Finance Act 1996) if—
- (a) it is denominated in a currency other than sterling; and
 - (b) it is held in exempt circumstances.
- (3) For the purposes of this section—
- (a) a unit in a unit trust scheme, or
 - (b) a right (other than a share in a company) which constitutes a relevant interest in an offshore fund,
- shall be taken to be denominated in a currency other than sterling if the price at which it may be acquired from, or disposed of to, persons concerned in the management of the trust or fund is fixed by those persons in a currency other than sterling.
- (4) For the purposes of this section shares constituting a relevant interest in an offshore fund shall be taken to be denominated in a currency other than sterling if their nominal value is expressed in such a currency.
- (5) The provisions specified in subsection (6) below, so far as they require a disposal to be treated as a disposal on which neither a gain nor a loss accrues, shall not apply to any disposal in relation to which this section applies.
- (6) The provisions referred to in subsection (5) above are—
- (a) sections 139, 140A, 171 and 172 of this Act; and
 - (b) section 486(8) of the Taxes Act.
- (7) Paragraph 3 of Schedule 17 to the ^{M2}Finance Act 1993 shall have effect for construing the reference in subsection (2)(b) above to exempt circumstances as if references to a currency were references to the asset in question.
- (8) Paragraph 7 of Schedule 10 to the Finance Act 1996 shall apply for construing any reference in this section to a relevant interest in an offshore fund as it applies for the purposes of paragraph 4 of that Schedule.”

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Marginal Citations

M1 1993 c. 34.

M2 1993 c. 34.

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