



Finance Act 2005

2005 CHAPTER 7

PART 2

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 8

ACCOUNTING PRACTICE AND RELATED MATTERS

83 Application of accounting standards to securitisation companies

- (1) For the purposes of the Corporation Tax Acts as they apply to a securitisation company in relation to a period of account—
 - (a) beginning on or after 1st January 2005, and
 - (b) [^{F1} (subject to subsection (7A)(a))] ending before [^{F2}1st January 2008],generally accepted accounting practice shall be taken to be UK generally accepted accounting practice as it applied for a period of account ending on 31st December 2004.
- (2) For the purposes of this section a “securitisation company” means a company that is—
 - (a) a note-issuing company,
 - (b) an asset-holding company,
 - (c) an intermediate borrowing company,
 - (d) a warehouse company, or
 - (e) a commercial paper funded company,as defined below.
- (3) A “note-issuing company” means a company in relation to which the following conditions are met—
 - (a) it is party as debtor to a capital market investment,
 - (b) the securities that represent the capital market investment are issued wholly or mainly to independent persons,

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- (c) the capital market investment is part of a capital market arrangement,^{F3} . . .
 - (d) the total value of the capital market investments made under that capital market arrangement is at least £50 million^{F4}, and
 - (e) if it has any business apart from the activity mentioned in paragraph (a) (and any incidental activities) it consists in one or both of the following—
 - (i) acquiring, holding and managing assets forming the whole or part of the security for the capital market arrangement;
 - (ii) acting as guarantor in respect of loan relationships, derivative contracts, finance leases or other liabilities of other companies where the whole, or substantially the whole, of the company's rights in respect of the guarantee (including any right of subrogation) form the whole or part of the security for the capital market arrangement.]
- (4) An “asset-holding company” means a company—
- (a) whose business (apart from any incidental activities) consists in acquiring, holding and managing assets forming the whole or part of the security for a capital market arrangement entered into by a note-issuing company, and
 - (b) whose liabilities representing debtor relationships are owed wholly or mainly to a note-issuing company or intermediate borrowing company.
- (5) An “intermediate borrowing company” means a company—
- (a) whose only business is to enter into and be a party to creditor relationships with an asset-holding company [^{F5}(or another intermediate borrowing company)], and
 - (b) whose liabilities representing debtor relationships are owed wholly, or substantially wholly, to a note-issuing company [^{F6}(or another intermediate borrowing company)].
- (6) A “warehouse company” means a company whose business consists wholly of acquiring and holding financial assets for the purpose—
- (a) of transferring them to a company (whether or not yet in existence) that at the time of the transfer is, or as a result of the transfer will become, an asset-holding or note-issuing company, or
 - (b) of itself becoming an asset-holding or note-issuing company.
- (7) A “commercial paper funded company” means—
- (a) a company that was an asset-holding company but whose obligations under debtor relationships to a note-issuing company or intermediate borrowing company—
 - (i) have been transferred to, or
 - (ii) have been replaced by obligations under debtor relationships to, one or more companies carrying on a business of banking, or
 - (b) a company that was an intermediate borrowing company but whose obligations under debtor relationships to a note-issuing company—
 - (i) have been transferred to, or
 - (ii) have been replaced by obligations under debtor relationships to, one or more companies carrying on a business of banking.

[^{F7}(7A) The Treasury may by regulations—

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- (a) make provision for subsection (1) to apply in relation to periods of account ending on or after 1st January 2008 but before a date specified by the regulations, and
- (b) make provision modifying any provision of, or made under, the Corporation Tax Acts in relation to the first period of account of securitisation companies in the case of which subsection (1) does not apply (whether by virtue of that subsection itself or regulations under paragraph (a)).]

[^{F7}(7B) Regulations under subsection (7A)(a) may, in particular—

- (a) specify a date only in relation to specified descriptions of company,
- (b) specify different dates in relation to different descriptions of company, and
- (c) include provision for a company to elect that the regulations are to apply to it or provision for a company to elect that they are not to apply to it.]

(8) In this section—

“asset” includes any option, future or contract for differences as defined for the purposes of [^{F8}Part 7 of CTA 2009 (derivative contracts) (see sections 580, 581 and 582 of that Act)];

“capital market investment” and “capital market arrangement” have the same meaning as in section 72B(1) of the Insolvency Act 1986 (c. 45) (see paragraphs 1, 2 and 3 of Schedule 2A to that Act);

“company” includes a partnership;

“financial asset” has the meaning it has for accounting purposes; and

“independent persons” means persons who are not connected with the company.

(9) Section 839 of ICTA (connected persons) applies for the purposes of the definition above of “independent persons”, except that in applying the definition of “control” in that section a person is not to be treated as a participator in a company by reason only that he is a loan creditor of the company.

Textual Amendments

- F1** Words in s. 83(1)(b) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 59\(2\)](#)
- F2** Words in s. 83(1)(b) substituted (retrospectively) by [Finance Act 2006 \(c. 25\), s. 101\(2\)\(6\)](#) (with s. 101(7)-(8))
- F3** Word in s. 83(3)(c) repealed (retrospectively) by [Finance Act 2006 \(c. 25\), s. 101\(3\)\(a\)\(6\), Sch. 26 Pt. 3\(19\)](#) (with s. 101(7)-(8))
- F4** S. 83(3)(e) and word inserted (retrospectively) by [Finance Act 2006 \(c. 25\), s. 101\(3\)\(b\)\(6\)](#) (with s. 101(7)-(8))
- F5** Words in s. 83(5)(a) inserted (retrospectively) by [Finance Act 2006 \(c. 25\), s. 101\(4\)\(a\)\(6\)](#) (with s. 101(7)-(8))
- F6** Words in s. 83(5)(b) inserted (retrospectively) by [Finance Act 2006 \(c. 25\), s. 101\(4\)\(b\)\(6\)](#) (with s. 101(7)-(8))
- F7** S. 83(7A)(7B) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 59\(3\)](#)
- F8** Words in s. 83(8) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 662](#) (with Sch. 2 Pts. 1, 2)

Modifications etc. (not altering text)

- C1** S. 83 excluded (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Taxation of Securitisation Companies Regulations 2006 \(S.I. 2006/3296\), regs. 1\(1\), 21](#)

Changes to legislation: *There are currently no known outstanding effects for the Finance Act 2005, Section 83. (See end of Document for details)*

C2 S. 83(1) applied (27.12.2007) by [The Securitisation Companies \(Application of Section 83\(1\) of the Finance Act 2005: Accounting Standards\) Regulations 2007 \(S.I. 2007/3338\)](#), regs. 1, 2

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2005, Section 83.