SCHEDULES

SCHEDULE 20

TAXATION OF HYBRID CAPITAL INSTRUMENTS

PART 2

CORPORATION TAX, INCOME TAX AND CAPITAL GAINS TAX

Commencement for purposes of corporation tax

13 (1) If there is a difference between—

(a) the tax-adjusted carrying value of a transitional qualifying instrument which is an asset or liability at the end of an accounting period ending on 31 December 2023, and

(b) the tax-adjusted carrying value of that instrument at the beginning of the 2024 period,

a credit or debit (as the case may be) of an amount equal to the difference must be brought into account for the purposes of Part 5 of CTA 2009 for the 2024 period in the same way as a credit or debit which is brought into account in determining the company's profit or loss for that period in accordance with generally accepted accounting practice.

(2) For the purposes of this paragraph "tax-adjusted carrying value" is to be construed in accordance with—

(a) section 465B of CTA 2009 (tax-adjusted carrying value in relation to the asset or liability representing a loan relationship), and

(b) section 702 of CTA 2009 (tax-adjusted carrying value in relation to a contract).

(3) Where in the 2024 period, in accordance with generally accepted accounting practice, the rights and liabilities under the transitional qualifying instrument have been treated as divided between—

(a) a loan relationship, and

(b) one or more derivative financial instruments or equity instruments,

the reference in this paragraph to the tax-adjusted carrying value of the transitional qualifying instrument means the sum of the tax-adjusted carrying values for each of those component instruments.

(4) In sub-paragraph (3) "equity instrument" has the meaning it has for accounting purposes.