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STATUTORY INSTRUMENTS

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**1998 No. 3177**

**The European Single Currency (Taxes) Regulations 1998**

**PART IV**

**AGREEMENTS FOR SALE AND REPURCHASE OF SECURITIES**

**Interpretation**

**13.** In this Part of these Regulations—

“capital payment” means any payment on the euroconversion of securities other than any interest, dividend or other annual payment payable in respect of the securities;

“original owner” and “interim holder” shall be construed in accordance with section 730A(1)(1) of the Taxes Act;

“transferor” shall be construed in accordance with sections 727A(1) and 737A(1)(2) of the Taxes Act.

**Replacement of securities in a euroconversion**

**14.—**(1) This regulation applies in a case where—

- (a) there is an agreement for the sale of securities, and
- (b) there is a euroconversion of the securities to which the agreement relates (“the old securities”), effected wholly or in part by the issue of new securities to replace them.

(2) The new securities which replace the old securities shall be regarded for the purposes of sections 727A(1), 730A(1) and 737A(1) of the Taxes Act, and section 263A(1)(3) of the 1992 Act, as similar securities in relation to the old securities.

(3) In paragraph (2) the reference to similar securities shall be construed in accordance with section 727A(4), 730B(4) or 737B(6), as the case may be.

**Payment or benefit received by interim holder on euroconversion**

**15.—**(1) This regulation applies in a case where—

- (a) there is an arrangement for the sale and repurchase of securities to which section 263A(1) of the 1992 Act applies,
- (b) a capital payment, but for the arrangement, would be received by the original owner on the euroconversion of those securities,
- (c) the interim holder is not required under the arrangement to pay to the original owner an amount representative of that capital payment, and an amount representative of that capital

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(1) Sections 730A and 730B were inserted by section 80(1) of the Finance Act 1995.

(2) Section 727A was inserted by section 79(1) of the Finance Act 1995, and sections 737A to 737C were inserted by section 122 of the Finance Act 1994.

(3) Section 263A was inserted by section 80(4) of the Finance Act 1995.

payment is not required under the arrangement to be taken into account in computing the repurchase price of the securities, and

(d) the amount of the capital payment would not exceed 500 euros.

(2) The interim holder shall not be regarded, for the purposes of section 263A of the 1992 Act, as receiving a benefit under subsection (3)(b) of that section equal to the amount of the capital payment.

#### **Payment deemed to be made by interim holder on euroconversion**

16.—(1) This regulation applies in a case where—

- (a) there is an arrangement for the sale and repurchase of securities to which section 730A(1) of the Taxes Act, or section 263A(1) of the 1992 Act, applies, or to which section 730A(1) of the Taxes Act would apply if the sale price and the repurchase price were different,
- (b) there is a euroconversion of those securities prior to their being repurchased, and
- (c) it is reasonable to assume that an amount that is representative of a capital payment in respect of the euroconversion is taken into account in computing the repurchase price of those securities.

(2) The amount referred to in paragraph (1)(c) shall be treated as if it were a separate representative payment in respect of the euroconversion made by the interim holder to the person required or entitled under the arrangement to repurchase the securities.

(3) The repurchase price of the securities shall be treated, for the purposes of section 730A of the Taxes Act and the 1992 Act, as increased by an amount equal to the amount of the separate payment treated as made by paragraph (2).

#### **Renominalisation resulting in new minimum denomination in which securities can be held or traded**

17.—(1) This regulation applies in a case where—

- (a) there is an arrangement for the sale and repurchase of securities to which section 730A(1) or 737A(1) of the Taxes Act, or section 263A(1) of the 1992 Act, applies, or to which section 730A(1) of the Taxes Act would apply if the sale price and the repurchase price were different,
- (b) there is a euroconversion of those securities prior to their being repurchased,
- (c) the aggregate nominal value (expressed in euros) of the securities sold, or of securities issued to replace them in a euroconversion is, as a result of renominalisation, not a whole multiple of the new minimum denomination in which those securities can be traded at the time of repurchase under the arrangement,
- (d) securities the aggregate nominal value of which is equal to the largest whole multiple of the new minimum denomination which does not exceed the aggregate nominal value referred to in sub-paragraph (c) are required under the arrangement to be sold back to the original owner or the transferor or a person connected with him, and
- (e) the interim holder is required under the arrangement to pay to the original owner or transferor, or person connected with him, an amount which either—
  - (i) is equal to the amount of what would, but for the arrangement, have been the proceeds of disposal of the remainder of the securities on the renominalisation received by the original owner, or
  - (ii) is equal to the value, at the time of the repurchase of securities pursuant to the arrangement, of the remainder if the remainder could still be held at that time though not traded.

(2) Where this regulation applies, the requirement for payment of the amount specified in paragraph (1)(e) is to be regarded for the purposes of sections 727A, 730A and 737A of the Taxes Act, and section 263A of the 1992 Act, as equivalent to a requirement on the original owner, transferor or person connected with him to repurchase the remainder of the securities.

(3) The value referred to in paragraph (1)(e)(ii) is the appropriate proportion (based on nominal value) of the market value of the minimum amount of the original securities that, at the time of the repurchase of the securities pursuant to the arrangement, could be traded.

(4) Where the amount calculated in accordance with sub-paragraph (e) of paragraph (1) does not exceed 500 euros, and the arrangement does not require payment of a sum equal to this amount, this regulation shall have effect as if the amount calculated in accordance with that sub-paragraph were nil and the requirement specified in that sub-paragraph were satisfied.

(5) Where, in a case to which paragraph (1)(a) to (d) applies—

- (a) no amount is paid as mentioned in paragraph (1)(e) by the interim holder to the original owner, transferor or person connected with him in respect of securities that, as a result of the renominalisation, could not be traded, but
- (b) it is reasonable to assume that an amount that is representative of an amount that could have been paid as mentioned in sub-paragraph (a) was taken into account in computing the repurchase price of the securities,

that amount shall be treated as if it were a separate payment made by the interim holder to the original owner, transferor or person connected with him that is representative of a capital payment on the euroconversion of the securities, and the repurchase price of the securities shall be treated as increased by an amount equal to the amount of that separate payment so treated as made.

**Payment made or deemed to be made by interim holder in respect of euroconversion—chargeable gains consequences**

18.—(1) This regulation applies in a case where—

- (a) there is an arrangement for the sale and repurchase of securities to which section 263A(1) of the 1992 Act applies, and
- (b) as a result of a euroconversion of those securities, a payment representative of a capital payment is made, or treated under regulation 16(2) or 17(5) as made (“deemed payment”), by the interim holder to the original owner or the transferor or a person connected with him.

(2) The payment or deemed payment shall be treated, for the purposes of the 1992 Act—

- (a) where the original owner and the repurchaser are the same person, as a capital payment received by the original owner in respect of the euroconversion of the securities concerned on such date as, on a just and reasonable view, may be inferred from the terms of the arrangement to be the date when the original owner would, but for the arrangement, have received a capital payment in respect of which the payment or deemed payment is made;
- (b) where the original owner and the repurchaser are not the same person and so far as concerns persons other than the interim holder, as reducing the repurchase price; and
- (c) as deductible by the interim holder in computing any capital gain arising—
  - (i) on a disposal of the securities received by the interim holder under the arrangement, or
  - (ii) where there has been an exchange of those securities as a result of the euroconversion, on a disposal of the securities received by the interim holder in exchange for the original securities received by him under the arrangement.

**Euroconversion—loan relationships consequences**

**19.—(1)** Paragraph 15 of Schedule 9 to the Finance Act 1996 (loan relationships—repo transactions and stock-lending) shall have effect as if the definition of “repo or stock-lending arrangements” in sub-paragraph (3) of that paragraph also included provision under an agreement or series of agreements for the original owner, or a person connected with him, subsequently to be or become entitled, or required, to have transferred to him either—

- (a) the rights accruing on a euroconversion of the loan relationship, or
- (b) where the rights include a payment on the euroconversion, other than interest, of an amount which, when aggregated with all other payments on the euroconversion of loan relationships with equivalent rights which are the subject of the same repo or stock-lending arrangement, results in an aggregate amount that does not exceed 500 euros, either the whole of those rights or the whole of those rights apart from that payment.

(2) In paragraph (1)(b) “equivalent rights” shall be construed in accordance with paragraph 15(4) of Schedule 9 to the Finance Act 1996.