
STATUTORY INSTRUMENTS

1998 No. 3177

The European Single Currency (Taxes) Regulations 1998

PART VII

ACCRUED INCOME SCHEME

Interpretation

31. In this Part of these Regulations—

“the accrued amount” has the meaning given by section 713(4) of the Taxes Act;

“the accrued income provisions” means sections 710 to 728 of the Taxes Act;

“interest period” shall be construed in accordance with section 711(3) and (4) of the Taxes Act except that, where securities are issued on an exchange of securities to which regulation 32 (exchange of securities resulting from euroconversion) applies, paragraph (a) of section 711(3) of that Act (commencement of interest period) shall have effect for the purposes of regulation 33 as if the reference in that paragraph to the day following that on which securities are issued were a reference to the day on which they are issued;

“the rebate amount” has the meaning given by section 713(5) of the Taxes Act;

“securities” has the meaning given by section 710(2) to (4)(1) of the Taxes Act;

“transfer” in relation to a transfer of securities has the meaning given by subsection (5), read with subsection (13), of section 710 of the Taxes Act.

Disapplication of accrued income provisions in respect of an exchange or conversion of securities resulting from a euroconversion

32. An exchange or conversion of securities that arises solely as a result of actions to effect a euroconversion of those securities shall not constitute, or be treated as, a transfer of those securities for the purposes of the accrued income provisions.

Disapplication of variable interest rate provision in certain circumstances

33.—(1) This regulation applies in a case where, solely to provide for actions reasonably required to effect a euroconversion of a security—

(a) there may be a change in the rate of interest carried by the security in relation to the interest period in which the euroconversion occurs, or

(b) there may be a change in the rate of interest carried by the security in relation to subsequent periods but, throughout the subsequent periods, the new rate of interest falls within one, and one only, of the categories specified in paragraphs (a) to (c) of section 717(2) of the Taxes Act, or

(1) Section 710 was amended by paragraph 2 of Schedule 10 to the Finance Act 1991, paragraph 14(36) of Schedule 10 to the Taxation of Chargeable Gains Act 1992, paragraph 5 of Schedule 8 to the Finance (No. 2) Act 1992 (c. 48), and section 87(5) of the Finance Act 1995.

(c) there may be a change in the rate of interest as mentioned in sub-paragraph (a) and a change in the rate of interest as mentioned in sub-paragraph (b).

(2) The provision for change in the rate of interest referred to in paragraph (1)(a) or (b) shall not cause the security concerned to be one to which section 717 of the Taxes Act applies.

Calculation of accrued amount or rebate amount in the event of a euroconversion of securities

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

- (a) there is a transfer of securities at any time in an interest period, and
- (b) at any time in that interest period there is a euroconversion of the securities transferred in that period.

(2) The accrued amount or, as the case may be, the rebate amount arising in respect of the transferred securities on the transfer shall be such amount as is just and reasonable.

Treatment of capital sum receivable on euroconversion of securities

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

- (a) otherwise than as a result of a transfer of securities that is not an exchange or conversion of securities to which regulation 32 applies, a person becomes entitled in an interest period to a capital sum in connection with a euroconversion of securities, and
- (b) any part of that sum is, on a just and reasonable view—
 - (i) attributable to a reduction in the interest payable on those securities, or
 - (ii) by way of compensation for a deferral of the interest payable on those securities.

(2) The person entitled to a capital sum in an interest period as mentioned in paragraph (1)(a) shall be regarded as entitled in that interest period to a sum on the securities, for the purposes of section 713(2)(a) or (3)(a), in an amount equal to the part of the sum referred to in paragraph (1)(b).