

---

STATUTORY INSTRUMENTS

---

**1998 No. 3177**

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

**PART VIII**

**CHARGEABLE GAINS**

**Equation of holding of non-sterling currency with new euro holding on euroconversion**

**36.** A euroconversion of currency (“the original currency”) shall not be treated for the purposes of the 1992 Act as involving any disposal of the original currency or any acquisition of the new euro holding or any part of it, but the original currency (taken as a single asset) and the new euro holding (taken as a single asset) shall be treated for those purposes as the same asset acquired as the original currency was acquired.

**Equation of debt (other than a debt on a security) on euroconversion**

**37.** A euroconversion of a debt other than a debt on a security (“the original debt”) shall not be treated for the purposes of the 1992 Act as involving any disposal of that debt by the creditor or any acquisition by him of a new debt or any part of it, but the original debt and the new debt shall be treated for those purposes (to the extent that they are not already so treated) as the same asset acquired as the original asset was acquired.

**Derivatives over assets the subject of euroconversion**

**38.—(1)** This regulation applies where—

- (a) a derivative represents rights or obligations in respect of any asset or liability or other amount (“the underlying asset”),
- (b) there is a euroconversion of the underlying asset,
- (c) a transaction is entered into in relation to that derivative that would, but for this regulation, result in a disposal for the purposes of the 1992 Act of the derivative (“the original derivative”) and the acquisition of a new derivative,
- (d) the terms of the new derivative differ from the terms of the original derivative only to the extent necessary to reflect the euroconversion of the underlying asset, and
- (e) no party to the transaction receives any consideration in respect of the original derivative other than the new derivative.

(2) The transaction described at paragraph (1)(c) shall not be treated for the purposes of the 1992 Act as involving any disposal of the original derivative or any acquisition of the new derivative, but the original derivative and the new derivative shall be treated for those purposes as the same asset acquired as the original derivative was acquired.

### **Cash payments received on euroconversion of securities**

39. Chapter II of Part IV of the 1992 Act shall have effect as if after section 133 of that Act (premiums on conversion of securities) there were inserted the following section—

#### **“Cash payments received on euroconversion of securities**

**133A.**—(1) This section applies where, under a euroconversion of a security that does not involve a disposal of the security and accordingly is not a conversion of securities within section 132(3)(a)(1), a person receives, or becomes entitled to receive, any sum of money (“the cash payment”).

(2) If the cash payment is small, as compared with the value of the security concerned—

- (a) receipt of the cash payment shall not be treated for the purposes of this Act as a disposal of part of the security, and
- (b) the cash payment shall be deducted from any expenditure allowable under this Act as a deduction in computing a gain or a loss on a disposal of the security by the person receiving or becoming entitled to receive the cash payment.

(3) Where the allowable expenditure is less than the cash payment (or is nil)—

- (a) subsection (2) above shall not apply, and
- (b) if the recipient so elects (and there is any allowable expenditure)—
  - (i) the amount of the cash payment shall be reduced by the amount of the allowable expenditure, and
  - (ii) none of that expenditure shall be allowable as a deduction in computing a gain accruing on the occasion of the euroconversion or on any subsequent occasion.

(4) In this section—

- (a) “allowable expenditure” means expenditure which immediately before the euroconversion was attributable to the security under paragraphs (a) and (b) of section 38(1);
- (b) “euroconversion” has the meaning given by regulation 3 of the European Single Currency (Taxes) Regulations 1998.”

---

(1) Section 132(3)(a) was amended by section 88(2) of the Finance Act 1997.