

**2001 No. 2724**

**TAXES**

**The Personal Portfolio Bonds (Tax) (Amendment)  
Regulations 2001**

<i>Made</i>	-	-	-	-	<i>27th July 2001</i>
<i>Laid before the House of Commons</i>					<i>27th July 2001</i>
<i>Coming into force</i>	-	-	-		<i>17th August 2001</i>

The Treasury, in exercise of the powers conferred upon them by section 553C of the Income and Corporation Taxes Act 1988(a) hereby make the following Regulations:

**Citation, commencement and effect**

1. These Regulations may be cited as the Personal Portfolio Bonds (Tax) (Amendment) Regulations 2001 and shall come into force on 17th August 2001 and have effect as respects gains treated as arising on or after that day.

**Amendment of the Personal Portfolio Bonds (Tax) Regulations 1999**

2. Amend the Personal Portfolio Bonds (Tax) Regulations 1999(b) as follows.

3.—(1) Amend regulation 5 (personal portfolio bonds—computation of gain) in accordance with the following provisions of this regulation.

(2) For paragraph (2) substitute—

“(2) There shall be treated as a gain arising in a relevant year the amount calculated in accordance with the formula—

$$0.15 \times (A + B - C)$$

Here—

**A** is the amount of the premium paid in respect of the personal portfolio bond;

**B** is the sum of the amounts found by applying the formula at the end of each of the previous years during which the personal portfolio bond was in existence in succession starting with the first such year; and

**C** is the amount calculated in accordance with the formula in paragraph (2A).

(2A) **C** is the amount calculated in accordance with the formula—

$$R - G$$

(a) at the end of the year immediately preceding the relevant year if the calculation produces an excess; and

(b) at the end of any earlier year during the existence of the bond when the calculation produces an excess; and

(c) adding together all the amounts produced by sub-paragraphs (a) and (b).

Here—

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(a) 1988 c. 1. Section 553C was inserted by section 89 of the Finance Act 1998 (c. 36).

(b) S.I. 1999/1029.

**R** is the reckonable aggregate value mentioned in section 546(2)(a); and  
**G** is the allowable aggregate amount referred to in section 546(3).

(2B) For the purposes of the computation of **C**—

- (a) section 546(1)(a)(b) shall be read as if the words “or assignment” and “assigned for money or money’s worth, or” and sub-paragraph (ii) and the word “; or” preceding it were omitted;
- (b) section 546(6)(c) shall be disregarded; and
- (c) sections 546B to 546D(d) shall be disregarded.”.

(3) In paragraph (3) for “concerned, subject to paragraph (4)” substitute—  
“concerned.

This is subject to paragraphs (4) and (4A).”.

(4) After paragraph (4) insert—

“(4A) For the purposes of paragraphs (2) to (3), any gain treated as arising under section 546C shall be treated as arising immediately after the gain calculated in accordance with paragraph (2).”.

4.—(1) Amend regulation 6 as follows.

(2) In paragraph (3)—

- (a) in sub-paragraph (a) for “545” substitute “545 or 546C”; and
- (b) in sub-paragraph (b) for “543” substitute “543 or 546C(7)(b)”.

(3) In paragraph (8)—

- (a) in sub-paragraph (a) for “541” substitute “541 or 546C(7)(b)”;
- (b) in sub-paragraph (b) for “545” substitute “545 or 546C(7)(a)”.

*Tony McNulty*  
*John Heppell*

27th July 2001

Two of the Lords Commissioners of Her Majesty’s Treasury

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Personal Portfolio Bonds (Tax) Regulations 1999 (S.I. 1999/1029).

Regulation 1 provides for the citation and commencement of these Regulations, and regulation 2 introduces the amendments.

Regulation 3 amends regulation 5 of the 1999 Regulations to reflect changes made to the taxation of personal portfolio bonds by Schedule 28 to the Finance Act 2001 (c. 9).

Regulation 4 makes consequential amendments to regulation 6 of the 1999 Regulations.

- (a) Section 546 was amended by paragraph 8 of Schedule 28 to the Finance Act 2001 (c. 9).
- (b) Subsection (1) was restructured by paragraph 8(2) of Schedule 28 to the Finance Act 2001.
- (c) Subsection (6) was added by paragraph 8(3) of Schedule 28 to the Finance Act 2001.
- (d) Sections 546B to 546D were inserted by paragraph 10 of Schedule 28 to the Finance Act 2001.

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