

SCHEDULE 2

AMENDMENTS TO FA 1996

8. For paragraph 12G (exchanges etc: treatment of loan relationships) substitute—

“12G.—(1) This paragraph applies if—

- (a) sections 127 to 130 of the Taxation of Chargeable Gains Act 1992 (c. 12) apply or would apply apart from section 116(5) of that Act,
- (b) the original shares consist of or include an asset representing a loan relationship, and
- (c) condition A or B is met.

(2) Condition A is that paragraph 12B, 12C, 12D(2) or 12E(2) applies in relation to the reorganisation.

(3) Condition B is that—

- (a) sections 127 to 130 of the Taxation of Chargeable Gains Act 1992 apply (or would apply apart from section 116(5) of that Act) as a result of section 135(3) of that Act (which provides for those sections to apply to an exchange of securities as if it were a reorganisation), and
- (b) company A is resident in one member State and company B is resident in another member State.

(4) Such debits and credits shall be brought into account for the purposes of this Chapter as would be brought into account if the reorganisation were a disposal of the asset representing a loan relationship at a consideration equal to its notional carrying value (within the meaning given by paragraph 12(2)).

(5) Paragraph 12(2A) shall have effect (with any necessary modifications) in relation to this paragraph as it has effect in relation to paragraph 12.

(6) In this paragraph—

“company A” and “company B” have the same meaning as in section 135 of the Taxation of Chargeable Gains Act 1992,

“the original shares” has the meaning given by section 126(1) of that Act, and

“reorganisation” includes anything to which sections 127 to 130 of that Act apply as if it were a reorganisation.”.