
S T A T U T O R Y I N S T R U M E N T S

2014 No. 1327

NATIONAL DEBT

**The Government Alternative Finance Arrangements Regulations
2014**

Made - - - - - *22nd May 2014*

Laid before the House of Commons *23rd May 2014*

Coming into force - - *16th June 2014*

The Treasury, in exercise of the powers conferred by section 157 of, and paragraphs 3, 5, 6, 7, 9, 10, 11 and 12 of Schedule 46 to, the Finance Act 2008(a), make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Government Alternative Finance Arrangements Regulations 2014 and come into force on 16th June 2014.

Interpretation

2. In these Regulations—

“available arrangements” means alternative finance arrangements which, by virtue of regulation 3, are available to the Treasury for raising money;

“bond” means arrangements to which section 564G (investment bond arrangements) of the Income Tax Act 2007(b) or section 151N (investment bond arrangements) of the Taxation of Chargeable Gains Act 1992(c) applies;

“money” means sterling or any other currency or medium of exchange, whether national or international;

“raising money” includes raising money outside the United Kingdom; and

“relevant person” means the Treasury or the Secretary of State.

Available arrangements

3.—(1) Alternative finance arrangements which comply with the conditions specified in this regulation are available to the Treasury for raising money.

(2) Condition 1 is that a relevant person and a company enter into arrangements under which—

(a) the relevant person transfers to the company a qualifying interest in land; and

(a) 2008 c. 9.

(b) 2007 c. 3. Section 564G was inserted by paragraph 8 of Schedule 2 to the Taxation (International and Other Provisions) Act 2010 (c. 8).

(c) 1992 c. 12. Section 151N was inserted by paragraph 34 of Schedule 2 to the Taxation (International and Other Provisions) Act 2010.

(b) the relevant person and the company agree that when the interest ceases to be held by the company as mentioned in paragraph (3)(b), the company will transfer the interest to the relevant person.

(3) Condition 2 is that—

- (a) the company, as bond-issuer, enters into a bond (whether before or after entering into the arrangements mentioned in paragraph (2)); and
- (b) the interest in land to which the arrangements mentioned in paragraph (2) relate is held by the company as a bond asset.

(4) Condition 3 is that, for the purpose of generating income or gains for the bond, the company and a relevant person enter into a leaseback agreement.

(5) For the purposes of condition 3, the company and a relevant person enter into a leaseback agreement if the company grants to the relevant person out of the interest transferred to the company—

- (a) a lease (if the interest transferred is freehold), or
- (b) a sub-lease (if the interest transferred is leasehold).

(6) Condition 4 is that the company agrees to hold the interest in the land as a bond asset until the termination of the bond.

(7) Alternative finance arrangements may make provision for all or part of the interest transferred to the company to be substituted by another qualifying interest in land (“the substituted interest”) in such circumstances as are specified in those arrangements.

(8) If all or part of an interest in land is substituted in accordance with provision made under paragraph (7), the alternative finance arrangements continue to comply with the conditions specified in this regulation if at the time the substitution takes place those conditions are met in relation to the substituted interest.

(9) In assessing whether condition 2 is met for the purposes of paragraph (8), it is irrelevant that the company has entered into the bond mentioned in paragraph (3)(a) before the substitution takes place.

(10) Terms used in this regulation which are also used in paragraph 5 of Schedule 61 to the Finance Act 2009(a), unless otherwise defined in these Regulations, have the same meaning as in that paragraph.

(11) For the purposes of this regulation—

- (a) “company” means a company formed under the Companies Acts, and
- (b) it does not matter whether the company—
 - (i) is formed specially in connection with raising money through available arrangements,
 - (ii) is formed by the Treasury, or
 - (iii) is independent of the Treasury.

Purposes for which money may be raised through available arrangements

4. The Treasury may raise money through available arrangements for any of the following purposes—

- (a) promoting sound monetary conditions in the United Kingdom,
- (b) providing the sums required to meet any excess of payments out of the National Loans Fund, or
- (c) providing any necessary working balance in the National Loans Fund.

(a) 2009 c. 10.

Considerations in deciding to raise money through available arrangements

- 5.** In deciding whether to raise money through available arrangements, the Treasury—
- (a) must take into account the purpose or purposes for which money is to be raised; and
 - (b) may take into account the effect which, in the Treasury's opinion, those arrangements are likely to have on the general availability of alternative finance arrangements within the United Kingdom.

Power to enter into arrangements

- 6.** A relevant person may enter into—
- (a) any arrangements which, alone or together with other arrangements, constitute available arrangements; and
 - (b) any other arrangements which facilitate or enable money to be raised through available arrangements.

Power to give financial assistance

7.—(1) The Treasury may give financial assistance to a company which has entered into available arrangements.

(2) The financial assistance must be for expenditure incurred, or to be incurred, in connection with any of the company's functions relating to the arrangements.

(3) Financial assistance may be given on such terms and conditions as the Treasury consider appropriate.

(4) A company which receives assistance under this regulation must comply with the terms and conditions on which it is given.

(5) Any financial assistance given under this regulation shall be charged on and paid out of the Consolidated Fund.

(6) In this regulation, “financial assistance” includes grants, loans and incurring expenditure for the benefit of the company.

National Loans Fund

8.—(1) Any money raised through available arrangements shall be paid into the National Loans Fund.

- (2) Any—
- (a) sums to be paid by, or on behalf of, a relevant person under or in connection with available arrangements; or
 - (b) expenses incurred in connection with raising money or the issue, repayment or redemption of securities under available arrangements;

shall be charged on and paid out of the National Loans Fund with recourse to the Consolidated Fund.

Modification of the application of Schedule 5A of the National Loans Act 1968

9. For the purposes of the provisions of Schedule 5A (the debt management account) to the National Loans Act 1968^(a), except paragraph 14, a security issued under available arrangements shall be treated as a security issued under section 12 of that Act.

(a) 1968 c. 13. Schedule 5A of the National Loans Act 1968 was inserted by Schedule 26 to the Finance Act 1998 (c. 36) and amended by section 134 of the Finance Act 1999 (c.16), section 151 of the Finance Act 2000 (c. 17) and sections 213 and 214 of, and Schedule 43 to, the Finance Act 2003 (c. 14).

*Mark Lancaster
Stephen Crabb*

22nd May 2014

Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations enable the Treasury to raise money through alternative finance arrangements, as defined in section 157(8) of the Finance Act 2008 (c. 9). Alternative finance arrangements are arrangements which, in the Treasury's opinion, equate in substance to a transaction of a kind that generally involves the payment of interest, but achieve a similar effect without including provision for the payment of interest.

Regulation 3 specifies the alternative finance arrangements which are available to the Treasury for raising money (referred to in the Regulations as "available arrangements").

Regulation 4 specifies the purposes for which money may be raised through available arrangements. These purposes are consistent with the purposes for which money can be raised by other means (such as gilts) under the National Loans Act 1968 (c. 13).

Regulation 5 specifies matters which must, and matters which may, be taken into account by the Treasury in deciding whether to raise money through available arrangements.

Regulation 6 enables the Treasury and the Secretary of State to enter into available arrangements and arrangements which enable or facilitate those arrangements.

Regulation 7 enables the Treasury to give financial assistance to a company in connection with any functions of the company relating to available arrangements. Any financial assistance provided is to be paid from the Consolidated Fund.

Regulation 8 provides that all money raised through available arrangements must be paid into the National Loans Fund. It also makes provision for the payment of certain sums and expenses from the National Loans Fund.

Regulation 9 modifies the application of Schedule 5A to the National Loans 1968, so that a security issued for the purposes of available arrangements is to be treated for the purposes of the debt management account as if it were a security (such as a gilt) issued under section 12 of that Act.

An impact assessment has not been produced for this instrument as no impact on the costs of the private or voluntary sectors is foreseen.

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