



Income and Corporation Taxes Act 1970

1970 CHAPTER 10

PART XI

COMPANY TAXATION

CHAPTER II

COMPANIES' CAPITAL GAINS

Gilt-edged securities: restrictions on exemptions

270 Charge to tax on certain disposals of United Kingdom securities

- (1) Subsection (1) of section 41 of the Finance Act 1969 (gilt-edged securities exempt from tax on capital gains) does not apply in the case of a disposal by a company of any specified securities unless the disposal occurs more than twelve months after the acquisition of the securities, and in this section "specified securities" has the same meaning as in the said section 41.
- (2) For the purposes of subsection (1) above—
- (a) if in consequence of a conversion on their redemption of any specified securities, those securities and a new holding of specified securities are, under paragraph 4(2) of Schedule 7 to the Finance Act 1965, as applied by paragraph 5 of that Schedule, to be treated as the same asset acquired as the converted securities were acquired, the date of acquisition of the new holding shall be deemed to be the date of the acquisition of the converted securities ; and
 - (b) the rules of identification in paragraph 8 of Schedule 7 to this Act shall apply, and
 - (c) in relation to a disposal of specified securities to which, by virtue of subsection (1) above, the said section 41(1) does not apply, the expenditure allowable under paragraph 4 of Schedule 6 to the Finance Act 1965 (cost of acquisition, etc.) shall, notwithstanding the provisions as to the pooling

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of securities in Schedule 7 to that Act, be determined by reference to the acquisition of the securities identified in accordance with paragraph (b) above.

(3) Where under section 273 below the companies disposing of and acquiring an asset are to be treated as if the consideration were of such an amount that neither a gain nor a loss accrues on the disposal, the company acquiring the asset shall be treated for the purposes of subsections (1) and (2) above (and of the enactments referred to in subsection (2) above so far as applied for the purposes of subsection (1) above) as acquiring it at the time when the other acquired it.

(4) In any case where—

(a) at 3.30 p.m. on 15th April 1969 (in the following provisions of this section referred to as "the relevant time") or at any time thereafter (whether before or after the commencement of this Act) any specified securities were held by a company in such circumstances that any gain or loss on their disposal would, apart from section 41 of the Finance Act 1969 (and Schedule 9 to the Finance Act 1965), have been taken into account in determining the company's liability to corporation tax on chargeable gains, and

(b) those securities are subsequently appropriated by the company in such circumstances that if they were disposed of after the appropriation, any profit accruing on their disposal would be brought into account in computing the company's income for corporation tax,

then for the purposes of corporation tax any loss incurred by the company on the disposal of those securities shall not exceed the loss which would have been incurred on that disposal if the amount or value of the consideration for the acquisition of the securities had been equal to their market value at the time of the appropriation.

(5) In any case where—

(a) at the relevant time or at any time thereafter (whether before or after the commencement of this Act) any specified securities were held by a company in such circumstances that any profit accruing on their disposal would be brought into account in computing the company's income for corporation tax, and

(b) those securities are subsequently appropriated by the company in such circumstances that any gain accruing on their disposal would, by virtue of section 41 of the Finance Act 1969, be exempt from corporation tax on chargeable gains,

then for the purposes of corporation tax the company shall be treated as if, immediately before the appropriation, it had sold and repurchased the specified securities at their market value at the time of the appropriation.

271 Charge to tax on certain disposals of Guaranteed Stock issued at a discount

(1) Section 27(3) of the Finance Act 1965 (gains and losses on certain Guaranteed Stock disregarded for purposes of tax on chargeable gains if within the exempt price range) shall not apply in the case of a disposal by a company unless the disposal of the securities occurs more than twelve months after their acquisition.

(2) Paragraph 5(2) of Schedule 7 to that Act (conversion of certain Guaranteed Stock) shall not apply to a disposal of, or of part of, the new holding unless the disposal occurs more than twelve months after the acquisition of the converted securities.

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- (3) The rules of identification in paragraph 8 of Schedule 7 to this Act shall apply for the purposes of this section and where this section applies in relation to any disposal, paragraph 2(4) of Schedule 7 to the Finance Act 1965 (pooling of securities: exclusion of those subject to tax under Case VII of Schedule D) shall apply as if that disposal had been chargeable to income tax under Case VII of Schedule D (tax on short-term gains).
- (4) Where under section 273 below the companies disposing of and acquiring an asset are to be treated as if the consideration were of such amount that neither a gain nor a loss accrues on the disposal, the company acquiring the asset shall be treated for the purposes of the preceding provisions of this section as acquiring it at the time when the other acquired it.