

SCHEDULES

SCHEDULE 19

Section 68.

INDEXATION

PART I

AMENDMENTS OF FINANCE ACT 1982

- 1 (1) In section 86, in subsection (1), paragraphs (b) and (c) and the word " and " at the end of paragraph (a) shall be omitted.
- (2) In subsection (2) of that section, for paragraph (a) there shall be substituted—
- “(a) " the unindexed gain or loss " means the amount of the gain or loss on the disposal computed in accordance with Chapter II of Part II of the Capital Gains Tax Act 1979 and, if there is neither a gain nor a loss on the disposal as so computed, the unindexed gain or loss shall be nil ;”.
- and in paragraph (by for the words " gross gain " there shall be substituted " unindexed gain or loss ".
- (3) In subsection (4) of that section for the words from " allowed " to " extinguish it" there shall be substituted " set against the unindexed gain or, as the case may be, added to the unindexed loss so as to give the gain or loss for the purposes of the Capital Gains Tax Act 1979 as follows,—
- (a) if there is an unindexed gain, the indexation allowance shall be deducted from the gain and, if the allowance exceeds the unindexed gain, the excess shall constitute a loss ;
- (b) if there is an unindexed loss, the indexation allowance shall be added to it so as to increase the loss ; and
- (c) if the unindexed gain or loss is nil, there shall be a loss equal to the indexation allowance ".
- (4) Subsection (5) of that section shall be omitted.
- 2 (1) In section 87, in subsection (2) in the definition of " RI" the words " which is the twelfth month after that" shall be omitted.
- (2) In subsection (3) of that section, for paragraph (a) there shall be substituted—
- “(a) the expenditure is attributable to the acquisition of relevant securities, within the meaning of section 88 below, which are disposed of within the period of ten days beginning on the day on which the expenditure was incurred, or”.
- 3 (1) In section 88, in each of subsections (1) to (5) and (7) and (8) for the word " securities " (or " Securities ") where it first occurs there shall be substituted " relevant securities " (or " Relevant securities").

Status: This is the original version (as it was originally enacted).

- (2) The following provisions of that section shall be omitted—
- (a) in subsection (1) the words "and section 89 below" and " section 89 below " ; and
 - (b) subsection (5A).
- (3) In subsection (9) of that section, for the words from " securities ", where that word first occurs, to the end of paragraph (b) there shall be substituted
- “" relevant securities " means—
- (a) securities, within the meaning of Chapter IV of Part II of the Finance Act 1985 ;
 - (b) deep discount securities, within the meaning of section 36 of the Finance Act 1984 ; and
 - (c) securities which are, or have at any time been, material interests in a non-qualifying offshore fund, within the meaning of Chapter VII of Part II of that Act”.
- 4 Section 89 (identification of securities: special rules) shall be omitted.
- 5 (1) In Schedule 13, in paragraph 1(a), for the words "gross gain " there shall be substituted " unindexed gain or loss".
- (2) In paragraph 2 of that Schedule, in sub-paragraph (1) the words "subsection (5)(b) of that section or" shall be omitted and in sub-paragraph (3)—
- (a) the words "and which falls within subsection (1)(b) of section 86 of this Act" shall be omitted ; and
 - (b) in paragraph (b) for the words " a gross gain " there shall be substituted the words " an unindexed gain".
- (3) Paragraph 3 of that Schedule shall be omitted.
- (4) In paragraph 4(1) of that Schedule, the words " occurring after the beginning of the qualifying period " shall be omitted.
- (5) In paragraph 6 of that Schedule—
- (a) in sub-paragraph (1)(b) for the words "qualifying period" there shall be substituted " period of twelve months beginning on the date of the issue of the shares, securities or debentures"; and
 - (b) in sub-paragraph (2)(a) for the words " qualifying period" there shall be substituted " period referred to in sub-paragraph (1)(b) above".
- (6) In paragraph 7 of that Schedule, sub-paragraph (2) shall be omitted.

PART II

PRE-APRIL 1982 SHARE POOLS

- 6 (1) Subject to sub-paragraphs (2) and (3) below, a holding of securities, as it exists immediately before the 1985 date, is for the purposes of this Part of this Schedule a 1982 holding if, by virtue of paragraph 8(2) of Schedule 13 to the Finance Act 1982, it is regarded for the purposes of the Capital Gains Tax Act 1979 as a single asset.
- (2) If the holding of securities referred to in sub-paragraph (1) above is " the reduced holding ", within the meaning of paragraph 9 of Schedule 13 to the Finance Act

Status: This is the original version (as it was originally enacted).

1982, then, for the purposes of this Part of this Schedule, the 1982 holding is the aggregate of—

- (a) the reduced holding, (as it exists immediately before the 1985 date); and
- (b) such of the separate assets (derived from the same holding as the reduced holding) which, by virtue of sub-paragraph (3)(6) of the said paragraph 9, constitute separate assets as have not been disposed of before that date.

(3) If a person so elects, quoted securities, as defined in paragraph 8 of Schedule 5 to the Capital Gains Tax Act 1979 (assets held on 6th April 1965) which are covered by the election—

- (a) shall be treated as an accretion to an existing 1982 holding or, as the case may be, as constituting a new 1982 holding; and
- (b) shall be excluded from paragraph 2 of that Schedule (restriction of gain or loss by reference to actual cost);

and the relevant allowable expenditure (as defined in relation to a disposal to which section 86 of the Finance Act 1982 applies) which is attributable to that 1982 holding shall be adjusted or determined accordingly.

(4) Paragraphs 4 to 8 of the said Schedule 5 (except paragraph 4(1)) shall apply in relation to an election under sub-paragraph (3) above as they apply in relation to an election under paragraph 4 of that Schedule, but with the substitution for any reference to 19th March 1968 of a reference to 31st March 1985 in the case of holdings or disposals by companies and 5th April 1985 in any other case.

7 (1) For the purposes of the Capital Gains Tax Act 1979, on and after the 1985 date, a 1982 holding shall continue to be regarded or, if it comes into being by virtue of paragraph 6 above, shall begin to be regarded as a single asset (but one which cannot grow by the acquisition of additional securities of the same class).

(2) In a case where the 1982 holding is determined by paragraph 6(2) above, for all purposes of capital gains tax the relevant allowable expenditure attributable to the securities comprised in the 1982 holding shall be taken to be the aggregate of—

- (a) the amount which, by virtue of sub-paragraph (2) of paragraph 10 of Schedule 13 to the Finance Act 1982, would for those purposes be regarded as the relevant allowable expenditure attributable to the reduced holding referred to in paragraph 6(2)(a) above on a disposal of the whole of it immediately before the 1985 date ; and
- (b) the amount which, by virtue of that sub-paragraph, would for those purposes be regarded as the relevant allowable expenditure attributable to the separate assets referred to in paragraph 6(2)(b) above on a disposal of them immediately before that date.

(3) For the purposes of section 87(5) of the Finance Act 1982 (indexation of allowable expenditure) the relevant allowable expenditure which by virtue of sub-paragraph (2) above is attributable to the securities comprised in a 1982 holding shall be deemed to be expenditure falling within section 32(1)(fa) of the Capital Gains Tax Act 1979.

PART III

POOLING OF OTHER SECURITIES

8 (1) In this Part of this Schedule—

- (a) " the principal Act" means the Capital Gains Tax Act 1979 ;

Status: This is the original version (as it was originally enacted).

- (b) " the 1982 Act" means the Finance Act 1982 ; and
 - (c) " relevant allowable expenditure " has the meaning assigned to it by subsections (2)(b) and (3) of section 86 of the 1982 Act.
- (2) This Part of this Schedule shall apply separately in relation to any securities held by a person to whom they were issued as an employee of the company or of any other person on terms which restrict his rights to dispose of them, so long as those terms are in force, and, while applying separately to any such securities, this Part of this Schedule shall have effect as if the owner held them in a capacity other than that in which he holds any other securities of the same class.
- (3) Nothing in this Part of this Schedule shall be taken as affecting the manner in which the market value of any securities is to be ascertained.
- 9 (1) Any number of securities of the same class which—
- (a) were held by the same person in the same capacity immediately before the 1985 date, and
 - (b) were acquired on or after 6th April 1982 or, in the case of a company, 1st April 1982,
- shall for the purposes of the principal Act be regarded as indistinguishable parts of a single asset growing or diminishing on the occasions on which additional securities of the same class are acquired or some of the securities of that class are disposed of.
- (2) Any number of securities of the same class which—
- (a) are acquired by the same person in the same capacity on or after the 1985 date, and
 - (b) do not form part of a single asset by virtue of sub-paragraph (1) above,
- shall for the purposes of the principal Act be regarded as indistinguishable parts of a single asset growing or diminishing on the occasions on which additional securities of the same class are acquired or some of the securities of that class are disposed of.
- (3) A holding of securities which, by virtue of sub-paragraph (1) or sub-paragraph (2) above, is to be regarded as a single asset is in this Part of this Schedule referred to as a " new holding ".
- 10 Without prejudice to the generality of paragraph 9 above, a disposal of securities in a new holding, other than a disposal of the whole of it, is a disposal of part of an asset and the provisions of the principal Act relating to the computation of a gain accruing on a disposal of part of an asset shall apply accordingly.
- 11 (1) In relation to a disposal of a new holding, the following provisions of this Part of this Schedule have effect in place of the provisions of section 87 of the 1982 Act for the purpose of computing the indexation allowance.
- (2) On any disposal of a new holding, other than a disposal of the whole of it,—
- (a) the qualifying expenditure and the indexed pool of expenditure shall each be apportioned between the part disposed of and the remainder in the same proportions as, under the principal Act, the relevant allowable expenditure is apportioned; and
 - (b) the indexation allowance is the amount by which the portion of the indexed pool which is attributed to the part disposed of exceeds the portion of the qualifying expenditure which is attributed to that part.

Status: This is the original version (as it was originally enacted).

- (3) On a disposal of the whole of a new holding, the indexation allowance is the amount by which the indexed pool of expenditure at the time of the disposal exceeds the qualifying expenditure at that time.
- 12 In relation to a new holding, the qualifying expenditure is at any time the amount which would be the aggregate of the relevant allowable expenditure in relation to a disposal of the whole of the holding occurring at that time.
- 13 (1) The provisions of this paragraph have effect, subject to paragraph 15 below, for determining, in relation to a new holding, the indexed pool of expenditure at any time.
- (2) In the case of a new holding falling within paragraph 9(1) above, the indexed pool of expenditure shall come into being immediately before the 1985 date and shall at that time consist of the aggregate of—
- (a) the qualifying expenditure at that time ; and
 - (b) any indexation allowance which, in accordance with section 87 of the 1982 Act, would have applied to a disposal at that time of all of the securities comprised in the holding, on the assumption that the amendments made by paragraphs 1 and 2 above had always had effect.
- (3) In the case of any other new holding, the indexed pool of expenditure shall come into being at the time that the holding comes into being or, if it is earlier, when any of the qualifying expenditure is incurred and shall at the time it comes into being be the same as the qualifying expenditure at that time.
- (4) Any reference in the following provisions of this Part of this Schedule to an operative event is a reference to any event (whether a disposal or otherwise) which has the effect of reducing or increasing the qualifying expenditure referable to the new holding.
- (5) Whenever an operative event occurs,—
- (a) there shall be added to the indexed pool of expenditure the indexed rise, as calculated under paragraph 14 below, in the value of the pool since the last operative event or, if there has been no previous operative event, since the pool came into being; and
 - (b) if the operative event results in an increase in the qualifying expenditure then, in addition to any increase under paragraph (a) above, the same increase shall be made to the indexed pool of expenditure; and
 - (c) if the operative event is a disposal resulting in a reduction in the qualifying expenditure, the indexed pool of expenditure shall be reduced in the same proportion as the qualifying expenditure is reduced ; and
 - (d) if the operative event results in a reduction in the qualifying expenditure but is not a disposal, the same reduction shall be made to the indexed pool of expenditure.
- (6) Where the operative event is a disposal—
- (a) any addition under paragraph (a) of sub-paragraph (5) above shall be made before the calculation of the indexation allowance under paragraph 11 above ; and
 - (b) the reduction under paragraph (c) of that sub-paragraph shall be made after that calculation.
- 14 (1) At the time of any operative event, the indexed rise in the indexed pool of expenditure is a sum produced by multiplying the value of the pool immediately before the event

Status: This is the original version (as it was originally enacted).

by a figure expressed as a decimal and determined, subject to sub-paragraph (2) below, by the formula—

$$\frac{RE-RL}{RL}$$

where—

RE is the retail prices index for the month in which the operative event occurs; and

RL is the retail prices index for the month in which occurred the immediately preceding operative event or, if there has been no such event, in which the indexed pool of expenditure came into being.

- (2) If RE, as defined in sub-paragraph (1) above, is equal to or less than RL, as so defined, the indexed rise is nil.

Consideration for options

- 15 (1) If, in a case where sub-paragraph (5)(6) of paragraph 13 above applies, the increase in the qualifying expenditure is, in whole or in part, attributable to the cost of acquiring an option binding the grantor to sell (in this paragraph referred to as "the option consideration"), then, in addition to any increase under paragraph (a) or paragraph (b) of sub-paragraph (5) of paragraph 13 above, the indexed pool of expenditure shall be increased by an amount equal to the indexed rise in the option consideration, as determined under sub-paragraph (2) below.
- (2) The indexed rise in the option consideration is a sum produced by multiplying the consideration by a figure expressed as a decimal and determined, subject to sub-paragraph (3) below, by the formula—

$$\frac{RO-RA}{RA}$$

where—

RO is the retail prices index for the month in which falls the date on which the option is exercised ; and

RA is the retail prices index for the month in which falls the date in which the option was acquired or, if it is later, March 1982.

- (3) If RO, as defined in sub-paragraph (2) above, is equal to or less than RA, as so defined, the indexed rise is nil.

PART IV

IDENTIFICATION OF SECURITIES ETC

- 16 (1) This Part of this Schedule applies where a person dispose* of securities on or after the 1985 date, and in such a case the securities disposed of shall be identified in accordance with the provisions of this Part of this Schedule with securities of the same class acquired by him which could be comprised in that disposal.
- (2) The provisions of this Part of this Schedule apply notwithstanding that securities disposed of are otherwise identified by the disposal or by a transfer or delivery giving effect to it (but so that where a person disposes of securities in one capacity, they

Status: This is the original version (as it was originally enacted).

shall not be identified with securities which he holds or can dispose of only in some other capacity).

- (3) Notwithstanding anything in sub-paragraphs (1) and (2) above, the provisions of this Part of this Schedule do not apply to shares in respect of which relief under Part I of Schedule 5 to the Finance Act 1983 (relief for investment in corporate trades) has been given and not withdrawn.
- 17 (1) Part III of this Schedule shall have effect with respect to securities in place of section 65 of the Capital Gains Tax Act 1979 (pooling) but subject to—
- (a) section 66 of that Act (disposals on or before day of acquisition) ; and
 - (b) section 58 of the Finance (No. 2) Act 1975 (disposal of certain shares and securities within prescribed period of acquisition).
- (2) In relation to disposals of securities on or after the 1985 date, section 66 of the Capital Gains Tax Act 1979 shall have effect-
- (a) as if the reference in subsection (2)(a) to provisions of Schedule 5 to that Act included a reference to paragraph 19(3) below; and
 - (b) as if the reference in subsection (2)(b) to section 65 of that Act were a reference to Part III of this Schedule.
- 18 (1) Without prejudice to section 66 of the Capital Gains Tax Act 1979 if, within a period of ten days, a number of securities are acquired and subsequently a number of securities are disposed of and, apart from this paragraph,—
- (a) the securities acquired would increase the size of, or constitute a new holding, and
 - (b) the securities disposed of would decrease the size of, or extinguish, the same new holding,
- then, subject to sub-paragraphs (2) and (3) below, the securities disposed of shall be identified with the securities acquired and none of them shall be regarded as forming part of an existing new holding or constituting a new holding.
- (2) If, in a case falling within sub-paragraph (1) above, the number of securities acquired exceeds the number disposed of,—
- (a) the excess shall be regarded as forming part of an existing new holding or, as the case may be, as constituting a new holding; and
 - (b) if the securities acquired were acquired at different times (within the ten days referred to in sub-paragraph (1) above) the securities disposed of shall be identified with securities acquired at an earlier time rather than with securities acquired at a later time.
- (3) If, in a case falling within sub-paragraph (1) above, the number of securities disposed of exceeds the number acquired, the excess shall not be identified in accordance with that sub-paragraph.
- (4) Securities which, by virtue of this paragraph, do not form part of or constitute a new holding shall be treated for the purposes of section 87(3) of the Finance Act 1982 (cases where indexation allowance is nil) as relevant securities within the meaning of section 88 of that Act.
- 19 (1) The identification rules set out in sub-paragraphs (2) and (3) below have effect subject to section 66 of the Capital Gains Tax Act 1979 but, subject to that, have priority according to the order in which they are so set out.

Status: This is the original version (as it was originally enacted).

- (2) Securities disposed of shall be identified with securities forming part of a new holding, within the meaning of Part III of this Schedule, rather than with other securities.
- (3) Securities disposed of shall be identified with securities forming part of a 1982 holding, within the meaning of Part II of this Schedule, rather than with other securities and, subject to that, shall be identified with securities acquired at a later time rather than with securities acquired at an earlier time.

PART V

PARALLEL POOLING

- 20 (1) Where an election has been made under Schedule 6 to the Finance Act 1983 (parallel pooling) that election may be revoked by notice in writing to the inspector not later than 31st March 1987 or within such further time as the Board may allow.
- (2) At the end of paragraph 2(2)(b) of the said Schedule 6 (elections to be irrevocable) there shall be added the words " except in accordance with Part V of Schedule 19 to the Finance Act 1985".
- (3) All such adjustments shall be made, whether by way of discharge or repayment of tax, or the making of assessments or otherwise, as are required in consequence of a revocation under sub-paragraph (1) above.
- 21 (1) An election under Schedule 6 to the Finance Act 1983 shall not have effect with respect to any disposal on or after 1st April 1985.
- (2) The Treasury may by regulations make such provisions as are referred to in sub-paragraph (3) below in relation to qualifying securities, within the meaning of the said Schedule 6,—
 - (a) in respect of which an election under that Schedule has been made and not revoked under paragraph 20 above; and
 - (b) which, immediately before 1st April 1985, were regarded as indistinguishable parts of a single asset by virtue of paragraph 3 of that Schedule.
- (3) The provisions referred to in sub-paragraph (2) above are such as appear to the Treasury to be appropriate to enable section 68 of this Act and the preceding provisions of this Schedule to take full effect in relation to the securities concerned.
- (4) Regulations under this paragraph shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

PART VI

UNDERWRITER'S PREMIUMS TRUST FUNDS

- 22 This Part of this Schedule has effect with respect to premiums trust funds, within the meaning of Schedule 16 to the Finance Act 1973 (underwriters), and any reference in paragraph 23 below to a fund is a reference to such a premiums trust fund.

Status: This is the original version (as it was originally enacted).

- 23 (1) Subject to the following provisions of this paragraph, the enactments relating to indexation shall apply with any necessary modifications in relation to assets forming part of a fund as they apply in relation to other assets.
- (2) In this paragraph " the enactments relating to indexation" means—
- (a) sections 86 to 88 of and Schedule 13 to the Finance Act 1982; and
 - (b) section 68 of this Act and Parts I to III of this Schedule.
- (3) For the purposes of the application of the enactments relating to indexation in accordance with sub-paragraph (1) above, it shall be assumed—
- (a) that assets forming part of a fund are disposed of and immediately reacquired on the last day of each accounting period; and
 - (b) that the indexation allowance computed for that accounting period is allocated to the corresponding underwriting year in the same proportion as the gains or losses referred to in paragraph 6(2) of the said Schedule 16.