



Finance (No. 2) Act 1997

1997 CHAPTER 58

PART III

INCOME TAX AND CORPORATION TAX

Gilt-edged securities

37 Interest to be paid gross

- (1) The Taxes Act 1988 shall be amended as follows.
- (2) In section 50 (Treasury direction for payment of public revenue dividends without deduction of tax), before subsection (1) there shall be inserted the following subsection—
 - “(A1) The interest on registered gilt-edged securities (whenever issued and whatever the terms on which they were issued) shall be paid without deduction of income tax.”
- (3) In that section—
 - (a) in subsection (1), after “following securities” there shall be inserted “in so far as they are not gilt-edged securities”;
 - (b) in subsection (2), after “by virtue of” there shall be inserted “subsection (A1) above or of”;
 - (c) in subsection (3), for “to which subsection (1) above applied” there shall be substituted “the interest on which is to be paid without deduction of income tax”; and
 - (d) in subsections (4) and (5), for the words “two months”, in each place where they occur, there shall be substituted “one month”.
- (4) In subsection (7) of that section, after “requires” there shall be inserted the following definition—

““gilt-edged securities” means any securities which—

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- (a) are gilt-edged securities for the purposes of the 1992 Act; or
 - (b) will be such securities on the making of any order under paragraph 1 of Schedule 9 to that Act the making of which is anticipated in the prospectus under which they were issued.”
- (5) Section 51A (interest on gilt-edged securities held under authorised arrangements to be paid without deduction of tax) shall cease to have effect.
- (6) In section 51B (periodic accounting for tax on interest on gilt-edged securities), for subsection (5) there shall be substituted the following subsections—
- “(5) In this section “relevant gilt-edged securities” means securities of one of the following descriptions—
- (a) gilt-edged securities issued before 6th April 1998 other than those in relation to which a direction under section 50(1) was given before that date;
 - (b) gilt-edged securities issued on or after that date in relation to which the Treasury have given a direction that they may be subjected to periodic accounting;
- and in this subsection “gilt-edged securities” has the same meaning as in section 50.
- (5A) Regulations under this section shall not apply to a payment of interest on any relevant gilt-edged securities if that payment is made at any time after the Treasury have given a direction that those securities are to be exempted from periodic accounting.”
- (7) In sections 722A(5) and 730C(9), and in paragraph 3A(2)(a) of Schedule 23A, (which all define “gilt-edged securities” by reference to section 51A of the Taxes Act 1988), for “51A” there shall be substituted, in each case, “50”.
- (8) Subject to subsections (9) to (13) below, this section has effect in relation to payments of interest falling due on or after 6th April 1998.
- (9) Subsection (3)(d) above has effect in relation to applications made and notices given at any time on or after the day on which this Act is passed.
- (10) Where—
- (a) any person holds any gilt-edged securities in relation to which a direction was given under section 50(1) of the Taxes Act 1988 at any time before 6th April 1998, and
 - (b) that person at any time before that date made an application under section 50(2) of that Act with respect to those securities,
- that application (unless withdrawn) shall have effect in relation to any interest on those securities to which section 50(A1) of that Act applies as it previously had effect in relation to any interest on those securities to which that direction applied.
- (11) Sections 50, 51B and 118D(4) of the Taxes Act 1988 shall have effect in relation to any gilt-edged securities issued before 6th April 1998 which—
- (a) are securities the interest on which, if paid immediately before that date, would have fallen to be paid after deduction of income tax, and
 - (b) are registered within the meaning of section 50 of that Act but are not securities in relation to which any direction under section 50 of that Act was given before that date,

as if the appropriate person had so made an application under section 50(2) of that Act as to enable that application to take effect in relation to payments of interest made on or after that date.

- (12) In subsection (11) above “the appropriate person” means—
- (a) in the case of securities transferred before 6th April 1998 but after the time when the balance was struck for a dividend on them falling due on or after that date, the person who held the securities at the time when the balance was so struck;
 - (b) in any other case, the person holding the securities in question immediately before 6th April 1998.
- (13) Section 50(5) of the Taxes Act 1988 shall have effect in relation to an application treated as made by virtue of subsection (11) above as if a notice withdrawing that application was capable of being given at any time on or after the passing of this Act.

38 Paying and collecting agents

- (1) Chapter VIIA of Part IV of the Taxes Act 1988 (paying and collecting agents) shall be amended as follows.
- (2) Section 118A (interpretation of Chapter) shall become subsection (1) of that section and, in paragraph (k) of that subsection (meaning of “international organisation”), for “has the meaning given by section 51A(8)” there shall be substituted “means an organisation of which two or more sovereign powers, or the governments of two or more sovereign powers, are members”.
- (3) After that subsection there shall be inserted the following subsection—
- “(2) If, in any proceedings, any question arises whether a person is an international organisation for the purposes of this Chapter, a certificate issued by or under the authority of the Secretary of State stating any fact relevant to that question shall be conclusive evidence of that fact.”
- (4) In section 118D(4) (payments of interest payable without deduction of tax not to be chargeable payments), after “by virtue of” there shall be inserted “section 50(A1) or of”.
- (5) In subsection (3) of section 118G (United Kingdom public revenue dividends excluded from being chargeable payments)—
- (a) paragraphs (b) and (d) to (f) shall be omitted; and
 - (b) for paragraph (c) there shall be substituted the following paragraph—
 - “(ca) they are payable in respect of a FOTRA security (within the meaning of section 154 of the Finance Act 1996) which—
 - (i) is not registered (within the meaning of section 50 of this Act); and
 - (ii) is, for the time being, beneficially owned by a person who is not ordinarily resident in the United Kingdom.”
- (6) In section 118G(7), for paragraphs (a) and (b) there shall be substituted “foreign dividends on foreign holdings held by a nominee approved for the purposes of this subsection”.

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(7) Section 118G(8) and (10) shall cease to have effect.

(8) This section has effect in relation to payments falling due on or after 6th April 1998.