SCHEDULES

SCHEDULE 20 U.K.

TAXATION OF HYBRID CAPITAL INSTRUMENTS

PART 2 U.K.

CORPORATION TAX, INCOME TAX AND CAPITAL GAINS TAX

Commencement for purposes of corporation tax

10 The following have effect for accounting periods beginning on or after 1 January 2019—

(a) the provision made by paragraphs 1 to 4 and 6 so far as relating to corporation tax, and

(b) the amendments made by paragraphs 5 and 7 to 9.

11 An accounting period beginning before and ending on or after 1 January 2019 is to be treated for the purposes of the provision made by this Schedule (other than paragraph 12 or 13) as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

12 (1) This paragraph applies in the case of a security which was a regulatory capital security for the purposes of the Taxation of Regulatory Capital Securities Regulations 2013 immediately before 1 January 2019 (referred to in this Part of this Schedule as a "transitional qualifying instrument").

(2) The revocations made by paragraph 1 do not affect any case where regulation 3(2)(a) or (b), (3) or (3A) of those Regulations would have applied in relation to accounting periods ending on or before 31 December 2023 but for the provision made by paragraph 1.

(3) In a case where sub-paragraph (2) has applied, paragraph 13 makes provision for corporation tax purposes in relation to an accounting period beginning on 1 January 2024 ("the 2024 period") to bring in credits or debits in respect of a transitional qualifying instrument which exists immediately before that date so far as they would not otherwise be brought into account.

(4) For the purposes of this paragraph and paragraph 13, an accounting period beginning before and ending on or after 1 January 2024 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

13 (1) If there is a difference between—

(a) the tax-adjusted carrying value of a transitional qualifying instrument which is an asset or liability at the end of an accounting period ending on 31 December 2023, and

(b) the tax-adjusted carrying value of that instrument at the beginning of the 2024 period,

a credit or debit (as the case may be) of an amount equal to the difference must be brought into account for the purposes of Part 5 of CTA 2009 for the 2024 period in the same way as a credit or debit which is brought into account in determining the company's profit or loss for that period in accordance with generally accepted accounting practice.

(2) For the purposes of this paragraph "tax-adjusted carrying value" is to be construed in accordance with—

(a) section 465B of CTA 2009 (tax-adjusted carrying value in relation to the asset or liability representing a loan relationship), and

(b) section 702 of CTA 2009 (tax-adjusted carrying value in relation to a contract).

(3) Where in the 2024 period, in accordance with generally accepted accounting practice, the rights and liabilities under the transitional qualifying instrument have been treated as divided between—

(a) a loan relationship, and

(b) one or more derivative financial instruments or equity instruments,

the reference in this paragraph to the tax-adjusted carrying value of the transitional qualifying instrument means the sum of the tax-adjusted carrying values for each of those component instruments.

(4) In sub-paragraph (3) "equity instrument" has the meaning it has for accounting purposes.

14 (1) This paragraph applies to a transitional qualifying instrument which qualified as a regulatory capital security as a result of falling within regulation 2(1)(c) or (d) of the Taxation of Regulatory Capital Securities Regulations 2013.

(2) The revocations made by paragraph 1 do not affect the application of regulation 3(2)(c)(i) of those Regulations in a case where the writing down or conversion concerned took place before 1 July 2019.

15 (1) This paragraph applies if—

(a) regulation 3(2)(c)(i) of the Taxation of Regulatory Capital Securities Regulations 2013 applied in relation to a transitional qualifying instrument as a result of the writing down of the principal amount of the security on a temporary basis, and

(b) a credit was, accordingly, not brought into account under Part 5 of CTA 2009.

(2) No debit is to be brought into account under that Part in respect of the writing up of the principal amount of the security in accordance with any regulatory requirements or the provisions governing the security.

Changes to legislation:
There are currently no known outstanding effects for the Finance Act 2019, Cross Heading: Commencement for purposes of corporation tax.