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STATUTORY INSTRUMENTS

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**1998 No. 1870**

**The Individual Savings Account Regulations 1998**

**Capital gains tax—adaptation of enactments**

**34.—**(1) For the purposes of capital gains tax on the occasion when the title to account investments is transferred from an account manager to an account investor there shall be deemed to be a disposal and reacquisition by the account investor of those investments for a consideration equal to their market value at the date of the transfer.

(2) Sections 104 to 114 of the Taxation of Chargeable Gains Act 1992 <sup>M1</sup> shall apply for the purposes of pooling and identifying account investments as if—

(a) in section 106A <sup>M2</sup> after subsection (11) there were added—

“(12) This section and sections 104, 110, 110A and 114—

(a) shall apply separately in relation to any securities which are held by a person as account investments so long as they are so held, and

(b) shall apply in relation to any such securities which became account investments by being transferred or renounced to an account manager or to a nominee for an account manager in the circumstances specified in regulation 7(2)(h) and <sup>F1</sup>(10) (a), (b) or (ba)] as if they had been account investments—

(i) in the case of securities acquired by that person in accordance with the provisions of a savings-related share option scheme, which were transferred in the circumstances specified in regulation <sup>F2</sup>7(2)(h)(i) and (10)(a), from the date of their acquisition by him, or

(ii) in the case of securities appropriated to that person in accordance with the provisions of an approved profit sharing scheme, which were transferred in the circumstances specified in regulation <sup>F3</sup>7(2)(h)(ii) and (10)(b), from the date when he directed the trustees to transfer the ownership of the securities to him or, if earlier, the release date in relation to those securities, <sup>F4</sup>or

(iii) in the case of securities which were plan shares of <sup>F5</sup>a Schedule 2]<sup>F6</sup>SIP] before being transferred in the circumstances specified in regulation 7(2) (h)(iii) and (10)(ba), from the date when the securities ceased to be subject to the plan, and]

(c) while applying separately to any such securities, shall have effect as if that person held them in a capacity other than that in which he holds any other securities of the same class whether under another such account or otherwise.

(13) In this section—

(a) “account”, “account investment” and “account manager” have the same meanings as in the Individual Savings Account Regulations 1998 and “regulation” means a regulation of those Regulations;

- (b) “approved profit sharing scheme” has the same meaning as in Chapter IV of Part V of the Taxes Act and “savings-related share option scheme” has the meaning given by paragraph 1 of Schedule 9 to that Act.
- [<sup>F7</sup>(c) “[<sup>F8</sup>Schedule 2]SIP” and “ceased to be subject to the plan” shall be construed in accordance with the SIP code (see section 488(3) of ITEPA 2003); and
- (d) “plan shares”, in relation to [<sup>F5</sup>a Schedule 2]SIP, shall be construed in accordance with the SIP code (see section 488(3) of ITEPA 2003) except that—
- (i) paragraph 87(6) of Schedule 2 to ITEPA 2003 (meaning of the word “shares” in the context of company reconstructions) shall not apply, and
  - (ii) in paragraph 88(2) of that Schedule (treatment of shares acquired under rights issue) the words “or securities or rights” shall be treated as omitted.”]; and
- (b) in section 110A <sup>M3</sup> after subsection (5) there were added—
- “(6) Where part of a section 104 holding is treated by section 106A(12)(b)(ii) as having been account investments since a particular date—
- (a) an operative event shall be regarded as having occurred for the purposes of this section immediately before that date, consisting of the disposal of the part of that section 104 holding which is so treated, and
  - (b) this section shall apply in relation to the occurrence of that operative event as it would have applied if it had always applied separately in relation to the part of that section 104 holding which is so treated.”
- (3) Section 106A of the Taxation of Chargeable Gains Act 1992 shall apply for the purposes of identifying securities within the meaning of that section which are eligible to become account investments as if—
- (a) in subsection (4), there were added at the beginning the words “Subject to subsection (14) below”;
  - (b) in subsection (6), the words “subsections (4) and (5) above” were replaced with the words “subsections (4), (5) and (14)”;
  - (c) after subsections (12) and (13), as added by paragraph (2), there were added—
- “(14) Where a person disposes of securities and securities of the same class which were eligible for transfer to an account under regulation 7(2)(h) were—
- (a) held by him immediately before that disposal, or
  - (b) acquired by him on the same day as that disposal, or
  - (c) acquired by him within the period of thirty days after that disposal,
- and those securities were acquired in the circumstances specified in that regulation, he shall be treated as having first disposed of any securities of that class held or acquired by him which were not so eligible.”
- (4) Sections 127 to 131 of the Taxation of Chargeable Gains Act 1992 shall not apply [<sup>F9</sup>in relation to qualifying investments falling within any of sub-paragraphs (a), (b), (d), (e), (f), (g) and (h) of regulation 7(2)] which are held under an account if there is by virtue of any allotment for payment as is mentioned in section 126(2) of that Act a reorganisation affecting those shares or securities.

**F1** Words in reg. 34(2)(a) substituted (21.8.2000) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2000 \(S.I. 2000/2079\)](#), regs. 1, **5(2)(a)**

**F2** Words in reg. 34(2)(a) substituted (21.8.2000) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2000 \(S.I. 2000/2079\)](#), regs. 1, **5(2)(b)**

- F3** Words in reg. 34(2)(a) substituted (21.8.2000) by The Individual Savings Account (Amendment No. 2) Regulations 2000 (S.I. 2000/2079), regs. 1, **5(2)(c)**
- F4** Words in reg. 34(2)(a) substituted (21.8.2000) by The Individual Savings Account (Amendment No. 2) Regulations 2000 (S.I. 2000/2079), regs. 1, **5(2)(d)**
- F5** Words in reg. 34(2)(a) substituted (retrospective to 6.4.2014) by Finance Act 2014 (c. 26), **Sch. 8 paras. 87(a)**, 89 (with Sch. 8 paras. 90-96)
- F6** Word in reg. 34(2)(a) substituted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **15(2)**
- F7** Words in reg. 34(2)(a) substituted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **15(3)**
- F8** Words in reg. 34(2)(a) substituted (retrospective to 6.4.2014) by Finance Act 2014 (c. 26), **Sch. 8 paras. 87(b)**, 89 (with Sch. 8 paras. 90-96)
- F9** Words in reg. 34(4) substituted (1.12.2001) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629), arts. 1(2)(b), **178**
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### **Marginal Citations**

- M1** 1992 c.12.
- M2** Section 106A was inserted by section 124(1) of the Finance Act 1998 (c.36).
- M3** Section 110A was inserted by section 125(2) of the Finance Act 1998.

**Changes to legislation:**

There are currently no known outstanding effects for the The Individual Savings Account Regulations 1998, Section 34.