

STATUTORY INSTRUMENTS

2006 No. 964

The Authorised Investment Funds (Tax) Regulations 2006

[^{F1}PART 6A

FUNDS INVESTING IN NON-REPORTING OFFSHORE FUNDS

[^{F1}CHAPTER 6

Income gains and computation of income gains

Textual Amendments

- F1** Pt. 6A inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Authorised Investment Funds \(Tax\) \(Amendment\) Regulations 2010 \(S.I. 2010/294\)](#), regs. 1(1), **21** (with regs. 25, 26)

General provisions

85Z.—(1) An income gain arises to a person on the disposal of an asset if a basic gain arises on the disposal.

- (2) The disposal gives rise to an income gain of an amount equal to the basic gain on the disposal.
- (3) The following provisions of this Chapter explain how the basic gain is computed.

The basic gain and its computation

85Z1.—(1) In the case of a participant chargeable to income tax, the basic gain is a gain of the amount which would be the gain on that disposal for the purposes of TCGA 1992 if the gain were computed without regard to any charge to income tax arising under this Part.

(2) In the case of a participant chargeable to corporation tax, the basic gain is a gain of the amount which would be the gain on that disposal for the purposes of TCGA 1992 if the gain were computed—

- (a) without regard to any charge to corporation tax arising under this Part, and
- (b) without regard to any indexation allowance on the disposal under TCGA 1992.

(3) The computation of the basic gain is subject to—

- (a) regulation 85W (provisions applicable on death);
- (b) regulation 85X (application of section 135 of TCGA 1992);
- (c) regulation 85Y (application of section 136 of TCGA 1992);
- (d) regulation 85Z2 (earlier disposal to which the no gain/no loss basis applies);
- (e) regulation 85Z3 (modifications of TCGA 1992); and
- (f) regulation 85Z4 (losses).

Earlier disposal to which the no gain/no loss basis applies

85Z2.—(1) This regulation applies if—

- (a) a participant is chargeable to corporation tax, and
 - (b) the amount of any chargeable gain or allowable loss which would arise on the disposal would fall to be computed in a way which, in whole or in part, would take account of the indexation allowance on an earlier disposal to which section 56(2) of TCGA 1992 (disposals on a no gain/no loss basis) applies.
- (2) The basic gain on the disposal is computed as if—
- (a) no indexation allowance had been available on any such earlier disposal, and
 - (b) subject to that, neither a gain nor a loss had arisen to the person making such an earlier disposal.

Modifications of TCGA 1992

85Z3.—(1) If the disposal forms part of a transfer to which section 162 of TCGA 1992 (roll-over relief on transfer of business) applies, the basic gain arising on the disposal is computed without regard to any deduction which falls to be made under that section in computing a chargeable gain.

(2) If the disposal is made otherwise than under a bargain at arm's length and a claim for relief is made in respect of that disposal under section 165 or 260 of TCGA 1992 (relief for gifts), the claim does not affect the computation of the basic gain arising on the disposal.

Losses

85Z4.—(1) If the effect of any computation under regulations 85Z1 to 85Z3 would be to produce a loss, the basic gain on the disposal is nil.

(2) Paragraph (1) applies notwithstanding section 16 of TCGA 1992 (losses determined in like manner as gains).

(3) Accordingly, for the purposes of these Regulations, no loss is to be treated as arising on the disposal.]

Changes to legislation:

There are currently no known outstanding effects for the The Authorised Investment Funds (Tax) Regulations 2006, CHAPTER 6.