STATUTORY INSTRUMENTS

2007 No. 2486

INCOME TAX
CAPITAL GAINS TAX

The Sale and Repurchase of Securities (Modification of Enactments) Regulations 2007

Made - - - -	*30th August 2007*
Laid before the House of Commons - - - -	*31st August 2007*
Coming into force - -	*1st October 2007*

The Treasury make the following Regulations in exercise of the powers conferred by sections 612, 613 and 614 of the Income Tax Act 2007(**1**) and sections 263F, 263G and 263H of the Taxation of Chargeable Gains Act 1992(**2**).

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Sale and Repurchase of Securities (Modification of Enactments) Regulations 2007 and shall come into force on 1st October 2007.

(2) These Regulations shall have effect in relation to arrangements where the transfer of securities referred to in section 607(1)(b) of ITA 2007 takes place on or after 1st October 2007.

(3) In these Regulations—

"ITA 2007" means the Income Tax Act 2007;

"non-standard repo case" shall be construed in accordance with section 612(2) of ITA 2007;

"redemption arrangements" shall be construed in accordance with section 613(2) of ITA 2007;

"TCGA 1992" means the Taxation of Chargeable Gains Act 1992.

Non-standard repo cases: substitution of securities

2.—(1) This regulation applies in a non-standard repo case where—

(a) condition B is met in relation to the repo (see section 612(4) of ITA 2007), and

(b) securities ("the substituted securities") are substituted for other securities.

(**1**) 2007 c. 3.
(**2**) 1992 c. 12; sections 263F, 263G and 263H were respectively inserted by paragraphs 336, 337 and 338 of Schedule 1 to the Income Tax Act 2007.

(2) Sections 601 to 610 of ITA 2007 (repos) and section 263A of TCGA 1992(**3**) (agreements for sale and repurchase of securities) apply as if any references in any of those sections to "securities or similar securities" (however expressed) included a reference to the substituted securities.

Redemption arrangements: modifications of enactments relating to income tax

3.—(1) In a case involving redemption arrangements, sections 601 to 610 of ITA 2007 apply with the modifications specified in paragraph (2).

(2) Sections 601 to 610 apply as if any references in any of those sections to the repurchase of the securities (however expressed) included a reference to an arrangement under which the borrower has the right or obligation to receive an amount equivalent to the proceeds of redemption of the securities.

Redemption arrangements: modifications of enactments relating to capital gains tax

4.—(1) In a case involving redemption arrangements, section 263A of TCGA 1992 applies with the following modifications.

(2) Subsection (1A)(**4**) applies as if it provided that the interim holder shall be treated for the purposes of capital gains tax as acquiring the securities—

(a) on the occasion of the redemption of the securities, and

(b) for an amount equivalent to the proceeds of redemption.

(3) Subsection (1B) applies as if it provided that the original owner shall be treated for the purposes of capital gains tax as disposing of the securities—

(a) on the occasion of the redemption of the securities, and

(b) for an amount equivalent to the proceeds of redemption.

Steve McCabe
Claire Ward
Two of the Lords Commissioners of Her Majesty's Treasury

30th August 2007

(**3**) Section 263A was inserted by section 80(4) of the Finance Act 1995 (c. 4) and amended by paragraph 12 of Schedule 14 to the Finance Act 2007 (c. 11).

(**4**) Subsections (1A) and (1B) of section 263A were inserted by paragraph 12(3) of Schedule 14 to the Finance Act 2007.

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Finance Act 2007 makes new provision relating to arrangements involving the sale and repurchase of securities (more commonly known as "repos").

The tax liability arising from a repo transaction is generally a liability to corporation tax; but, in appropriate cases, a liability to income tax or to capital gains tax may arise. These Regulations accordingly exercise powers conferred by the Income Tax Act 2007 and the Taxation of Chargeable Gains Act 1992 to modify provisions in those Acts so that non-standard repo cases and cases involving redemption arrangements are dealt with in the same way for income tax and capital gains tax as for corporation tax.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.