
EXPLANATORY NOTE

(This note is not part of the Regulations)

The Regulations amend the Taxation of Regulatory Capital Securities Regulations 2013 to make provision in relation to the taxation of new types of regulatory capital security issued to meet the requirements of the Commission Directive (EU) No 2009/138/EC and Commission Delegated Regulation (EU) No 2015/35 which impose new prudential requirements on financial institutions.

Regulation 1 provides for citation, commencement and effect.

Regulation 2(1) introduces the amendments.

Regulation 2(2) amends the definition of the term “regulatory capital security” to include certain Tier 1 and Tier 2 items within the Commission Delegated Regulation (EU) 2015/35.

Regulation 2(3) excludes credits and debits from Part 5 of the Corporation Tax Act 2009 (“CTA 2009”) on certain conversions of the new types of regulatory capital and amends the fair value accounting provision, the term “carrying value” and statutory cross-reference in consequence of changes made to Part 5 of CTA 2009 by the Finance (No.2) Act 2015.

Regulation 2(4) inserts a new regulation 3A to ensure that payments of a coupon in respect of regulatory securities will continue to be deductible following changes made to Part 5 of CTA 2009 by the Finance (No.2) Act 2015.

Regulation 3 makes transitional provisions to take account of any change in accounting treatment which is prescribed for existing regulatory capital securities to which these Regulations apply.

A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://www.gov.uk/collections/tax-information-and-impact-notes-tiins>.