

2021 No. 1385

CAPITAL GAINS TAX

**The London Capital and Finance Compensation Scheme
(Chargeable Gains Exemption) Regulations 2021**

<i>Made</i>	- - - -	<i>8th December 2021</i>
<i>Laid before the House of Commons</i>		<i>9th December 2021</i>
<i>Coming into force</i>	- -	<i>2nd January 2022</i>

The Treasury make the following Regulations in exercise of the powers conferred by paragraphs 2(5) and (6) and 4(3)(c) of Schedule 15 to the Finance Act 2020(a).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the London Capital and Finance Compensation Scheme (Chargeable Gains Exemption) Regulations 2021 and come into force on 2nd January 2022.

(2) These Regulations have effect in relation to disposals made on or after 20th October 2021.

Exemption from capital gains tax for compensation payments to customers under LCF Compensation Scheme

2.—(1) A compensation payment made under the LCF Compensation Scheme is a qualifying payment for the purposes of paragraph 4 of Schedule 15 to the Finance Act 2020.

(2) In this regulation—

- (a) “the LCF Compensation Scheme” means the scheme established by the Treasury on 3rd November 2021(b) and administered by the Financial Services Compensation Scheme Limited which provides compensation to customers of London Capital & Finance plc adversely affected by matters identified in the Gloster Report;
- (b) “the Gloster Report” means the Report of the Independent Investigation into the Financial Conduct Authority’s Regulation of London Capital & Finance plc, as revised on 10 December 2020(c).

Craig Whittaker
Alan Mak

8th December 2021

Two of the Lords Commissioners of Her Majesty’s Treasury

(a) 2020 c. 14.
(b) The Scheme Rules are published at <https://www.gov.uk/government/publications/london-capital-finance-lcf-compensation-scheme>, and paper copies can be obtained on application to The Correspondence and Enquiry Unit, HM Treasury, 1 Horse Guards Road, Westminster, London SW1A 2HQ.
(c) The Report was delivered to the Financial Conduct Authority on 23 November 2020 and revised on 10 December 2020. It was presented to Parliament under section 82 of the Financial Services Act 2012 (c. 21) and is available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945247/Gloster_Report_FINAL.pdf.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide for an exemption from capital gains tax in relation to compensation payments made under the LCF Compensation Scheme (“the Scheme”). The Treasury established the Scheme, requiring the Financial Services Compensation Scheme to administer the Scheme on the Treasury’s behalf in exercise of its powers under Part 15A of the Financial Services and Markets Act 2000^(a). The Scheme compensates customers of London and Capital Finance plc (“LCF”) who were adversely affected by losses from investments in that company. In accepting a compensation payment under the Scheme, customers transfer to the scheme operator their rights to claim against LCF in respect of their losses.

Schedule 15 to the Finance Act 2020 provides for exemptions from tax in respect of qualifying payments. Under paragraph 2(5) of that Schedule, the Treasury may by regulations specify compensation payments made by or on behalf of the United Kingdom government to be qualifying payments. Paragraph 4 of the Schedule provides for an exemption from capital gains tax, where a disposal arises as a result of a person forfeiting, surrendering or refraining from exercising rights in return for a qualifying payment and on a disposal of the right to receive a qualifying payment (or an interest in such a right).

Regulation 2 specifies that a compensation payment made under the Scheme is a qualifying payment for the purposes of paragraph 4 of Schedule 15, so that the transfer by customers of their rights in return for the compensation payment, or their disposal of the right to receive such a payment, does not give rise to gains chargeable to capital gains tax.

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

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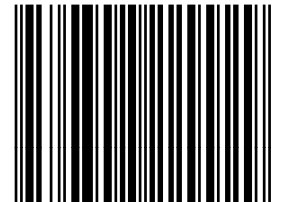
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^(a) 2000 c. 8. Part 15A was added by section 17 of the Financial Services Act 2010 (c. 28).

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