

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision in relation to the taxation of a certain type of regulatory capital instrument that may be issued by building societies. These instruments are known as “core capital deferred shares” and are defined in regulation 2 as deferred shares that form part of the core tier one capital of a building society. Regulation 3 disapplies tax and stamp duty provisions relating to building society shares in relation to core capital deferred shares and provides that such shares are not loan capital for stamp duty purposes under section 78(7) of the Finance Act 1986, qualifying corporate bonds under the Taxation of Chargeable Gains Act 1992 or restricted preference shares under section 160 of the Corporation Tax Act 2010.

A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.