

## SCHEDULES

### SCHEDULE 13

#### THE INDEXATION ALLOWANCE

##### PART II

##### EXISTING SHARE POOLS

- 8 (1) The provisions of this Part of this Schedule have effect in relation to a number of securities of the same class which, immediately before the operative date, are held by one person in one capacity and, by virtue of section 65 of the Capital Gains Tax Act 1979 are to be regarded for the purposes of that Act as indistinguishable parts of a single asset (in that section and in this Part of this Schedule referred to as a holding).
- (2) Subject to paragraph 9 below, on and after the operative date.—
- (a) the holding shall continue to be regarded as a single asset for the purposes of the Capital Gains Tax Act 1979 (but one which cannot grow by the acquisition of additional securities of the same class); and
  - (b) the holding shall be treated for the purposes of section 86 of this Act as having been acquired twelve months before the operative date ; and
  - (c) every sum which, on a disposal of the holding occurring after the operative date, would be an item of relevant allowable expenditure shall be regarded for the purposes of section 87 of this Act as having been incurred at such a time that the month which determines RI, in the formula in subsection (2) of that section, is March 1982.
- (3) Nothing in sub-paragraph (2) above affects the operation of section 78 of the Capital Gains Tax Act 1979 (equation of original shares and new holding on a reorganisation etc.) in relation to the holding, but without prejudice to paragraph 5 above.
- (4) In this Part of this Schedule " the operative date " means—
- (a) where the holding is held by a company, 1st April 1982 ; and
  - (b) in any other case, 6th April 1982.
- 9 (1) For the purposes of this paragraph there shall be ascertained—
- (a) the amount which would be the relevant allowable expenditure on a disposal of the whole of the holding on the day in 1982 which immediately precedes the operative date ; and
  - (b) the amount which would have been the relevant allowable expenditure on a disposal of the whole of the holding (as then constituted) on the same day in 1981 ;

and in this paragraph these amounts are referred to as the 1982 amount and the 1981 amount respectively.

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- (2) If the 1982 amount exceeds the 1981 amount, paragraph 8(2) above shall not apply to the holding and the following provisions of this paragraph shall have effect in relation to it.
- (3) Where sub-paragraph (2) above applies, the identification rules set out in sub-paragraph (4) below shall be assumed to have applied in relation to every acquisition or disposal of securities which occurred after the day referred to in sub-paragraph (1) (b) above and before the operative date and which, apart from this paragraph, would have increased or reduced the size of the holding; and accordingly—
- (a) only such of the securities (if any) which constituted the holding on that day as are not identified, by virtue of those rules, with securities disposed of before the operative date shall be regarded as constituting the holding on the operative date; and
  - (b) all securities acquired after that day and before the operative date, so far as they are not so identified with securities disposed of before the operative date, shall be regarded as separate assets.
- (4) The identification rules referred to in sub-paragraph (3) above are—
- (a) that securities disposed of on an earlier date shall be identified before securities disposed of on a later date, and the identification of the securities first disposed of shall accordingly determine the securities which could be comprised in the later disposal; and
  - (b) that securities disposed of shall be identified with securities acquired on a later date rather than with securities acquired on an earlier date ; and
  - (c) that securities disposed of shall be identified with securities acquired at different times on any one day in as nearly as may be equal proportions ;
- and these rules shall have priority according to the order in which they are set out above.
- (5) In this paragraph and paragraph 10 below—
- (a) "the reduced holding" means the securities referred to in sub-paragraph (3) (a) above ; and
  - (b) " relevant allowable expenditure " has, in relation to a disposal taking place at any time, the meaning assigned to it by subsection (2)(b) of section 86 of this Act in relation to a disposal to which that section applies.
- (6) Sub-paragraph (2) of paragraph 8 above shall apply in relation to the reduced holding but, so far as paragraph (c) of that sub-paragraph is concerned, subject to paragraph 10(1) below.
- 10 (1) For the purpose of computing the indexation allowance (if any) on a disposal of—
- (a) the reduced holding, or
  - (b) any other securities which, by virtue of sub-paragraph (3)(b) of paragraph 9 above, constitute one or more separate assets,
- the 1982 amount, as defined in that paragraph, shall be apportioned between the reduced holding and that asset or those assets in proportion to the number of securities comprised in each of them on the operative date.
- (2) In relation to a disposal on or after the operative date, the amount apportioned to the reduced holding or to any asset by virtue of sub-paragraph (1) above shall be regarded for all purposes of capital gains tax as the relevant allowable expenditure

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attributable to the securities comprised in the reduced holding or, as the case may be, in the asset in question.

- (3) For the purposes of section 87(5) of this Act any relevant allowable expenditure which is attributable to any securities by virtue of sub-paragraph (2) above shall be deemed to be expenditure falling within paragraph (a) of subsection (1) of section 32 of the Capital Gains Tax Act 1979.
- 11 In paragraph 2(2) of Schedule 5 to the Capital Gains Tax Act 1979 (identification of quoted securities held on 6th April 1965 with—among other cases—shares or securities subsequently disposed of and in paragraph 13(3) of that Schedule (corresponding provisions for unquoted securities etc.) for the words " earlier time " there shall be substituted the words " later time " and for the words "later time" there shall be substituted the words " earlier time " .