

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 15. (See end of Document for details)

SCHEDULES

SCHEDULE 15 **U.K.**

Section 105.

LOAN RELATIONSHIPS: SAVINGS AND TRANSITIONAL PROVISIONS

PART I **U.K.**

CORPORATION TAX

Application and interpretation of Part I

- 1 (1) This Part of this Schedule has effect for the purposes of corporation tax.
- (2) In this Part of this Schedule—
- “the 1992 Act” means the ^{M1}Taxation of Chargeable Gains Act 1992;
- “continuing loan relationship”, in relation to any company, means any loan relationship to which the company was a party both immediately before and on 1st April 1996;
- “first relevant accounting period”, in relation to a company, means the first accounting period of the company to end after 31st March 1996; and
- “transitional accounting period”, in relation to a company, means any accounting period of the company beginning before and ending on or after 1st April 1996.
- ^{F1}(3)
- (4) In this Part of this Schedule references to this Chapter include references to any repeals having effect for the purposes of this Chapter.

Textual Amendments

F1 Sch. 15 para. 1(3) repealed (with effect in accordance with Sch. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 16\(5\)\(d\)](#), [Sch. 27 Pt. 2\(10\)](#)

Marginal Citations

M1 1992 c. 12.

Loan relationships terminated before 1st April 1996

^{F2}

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Textual Amendments

- F2** Sch. 15 para. 2 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 444(2)(a), **Sch. 3 Pt. 1** (with Sch. 2 paras. 1-10, 54)

Basic rules for transitional accounting periods

F33

Textual Amendments

- F3** Sch. 15 para. 3 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 444(2)(b), **Sch. 3 Pt. 1** (with Sch. 2 paras. 1-10, 54)

[^{F4} Adjustment of opening value where new accounting basis adopted as from an accounting period beginning on 1st April 1996]

Textual Amendments

- F4** Sch. 15 para. 3A and crossheading inserted (19.3.1997 with effect as mentioned in [Sch. 13 para. 7](#) of the amending Act) by [1997 c. 15, s. 83\(6\)](#), **Sch. 13 para. 3**

F5^{F6}3A

Textual Amendments

- F5** Sch. 15 para. 3A repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 444(2)(c), **Sch. 3 Pt. 1** (with Sch. 2 paras. 1-10, 54)
- F6** Sch. 15 para. 3A and crossheading inserted (19.3.1997 with effect as mentioned in [Sch. 13 para. 7](#) of the amending Act) by [1997 c. 15, s. 83\(6\)](#), **Sch. 13 para. 3**

Application of accruals basis to pre-commencement relationships

F74

Textual Amendments

- F7** Sch. 15 para. 4 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 444(2)(d), **Sch. 3 Pt. 1** (with Sch. 2 paras. 1-10, 54)

Adjustments in respect of pre-commencement trading relationships

- 5 (1) This paragraph applies in the case of any continuing loan relationship of a company as respects which any amounts would have been brought into account for the purposes of corporation tax in computing the profits or losses of the company from any trade carried on by it if—

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- (a) the company had ceased to be a party to the relationship on 31st March 1996; and
 - (b) where it is not otherwise the case, an accounting period of the company had ended on that date.
- (2) Where there is a difference between—
- (a) the notional closing value of the relationship as at 31st March 1996, and
 - (b) the adjusted closing value of that relationship as at that date,
- that difference shall be brought into account as provided for in paragraph 6 below.
- (3) Except where sub-paragraph (4) or (6) below applies, the notional closing value as at 31st March 1996 of a loan relationship of a company shall be taken for the purposes of this paragraph to be the amount which, for the purposes of computing the profits or losses of the company from any trade carried on by it—
- (a) was as at that date, or
 - (b) had an accounting period of the company ended on that date, would have been,
- the amount falling to be brought into account as representing the value of the company's rights or liabilities under the relationship.
- (4) Except where sub-paragraph (6) below applies, if no amount is given by sub-paragraph (3) above, the notional closing value as at 31st March 1996 of a loan relationship of a company shall be taken for the purposes of this paragraph to be the amount which, for the purposes of computing the profits or losses of the company from any trade carried on by it, would have been deductible as representing the cost of becoming a party to the relationship if the company had ceased to be a party to the relationship on 31st March 1996.
- [^{F8}(4A) In sub-paragraph (4) above the reference, in relation to a creditor relationship, to the amount deductible as representing the cost of a company's becoming a party to the relationship shall not, except where sub-paragraph (4B) or (4C) below applies, include a reference to so much of that amount as would represent the cost of acquiring any right to accrued interest under the loan relationship.
- (4B) This sub-paragraph applies where—
- (a) the company became a party to the relationship before the beginning of its first relevant accounting period,
 - (b) interest accruing under the relationship before the company became a party to it was paid to the company after it became a party to it but before the beginning of the company's first relevant accounting period, and
 - (c) the interest under the relationship which, in the case of that company, has been brought into account for the purposes of corporation tax has included interest accruing under the relationship before the company became a party to it but paid afterwards.
- (4C) This sub-paragraph applies where—
- (a) the company became a party to the loan relationship in a transitional accounting period, and
 - (b) in the case of that company, interest under the relationship which—
 - (i) accrued before the company became a party to the relationship, but
 - (ii) became due and payable afterwards,

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is brought into account for the purposes of this Chapter in accordance with an authorised mark to market basis of accounting.]

- (5) Except where sub-paragraph (6) below applies, the adjusted closing value of that relationship as at that date shall be taken for the purposes of this paragraph to be the amount which for the purposes of [F⁹this Chapter (as it had effect immediately before 1st April 2009) was] the opening value as at 1st April 1996 of the company’s rights and liabilities under the relationship.
- (6) For the purposes of this paragraph where the asset representing a loan relationship of a company is a relevant qualifying asset of the company, or the liabilities of the company under the relationship are relevant liabilities—
- (a) the notional closing value of the relationship as at 31st March 1996 shall be taken for the purposes of this paragraph to be the value given by paragraph 12 below as the notional closing value as at 31st March 1996 of that asset or, as the case may be, of those liabilities; and
 - (b) the adjusted closing value of the relationship as at 31st March 1996 shall be taken for those purposes to be the amount [F¹⁰which was] as at 1st April 1996 the opening value of the asset or liabilities for the purposes of this Chapter [F¹¹(as it had effect immediately before 1st April 2009)].
- (7) For the purposes of this paragraph, where an accruals basis of accounting is used as respects a loan relationship for the first relevant accounting period of the company, the opening value as at 1st April 1996 of the company’s rights and liabilities under the relationship shall be [F¹²taken to have been] the value which (disregarding interest) [F¹³was treated] in accordance with paragraph 4 above [F¹⁴(as it had effect immediately before 1st April 2009)] as having accrued to the company before that date.
- (8) In this paragraph—
- “attributed amount” means any attributed gain or loss falling to be calculated in accordance with any regulations made under Schedule 16 to the M²Finance Act 1993 (transitional provisions for exchange gains and losses) which contain any such provision as is mentioned in paragraph 3(1) of that Schedule;
- “commencement day”, in relation to a company, means its commencement day for the purposes of Chapter II of Part II of the M³Finance Act 1993;
- “market value” has the same meaning as in the 1992 Act;
- “relevant liability”, in relation to a company, means any liability under a loan relationship the value of which has been determined as at the company’s commencement day for the purpose of calculating any attributed amount;
- “relevant qualifying asset”, in relation to a company, means any qualifying asset for the purposes of Chapter II of Part II of the M⁴Finance Act 1993 the value of which has been determined as at the company’s commencement day for the purpose of calculating any attributed amount.

Textual Amendments

- F8** Sch. 15 para. 5(4A)-(4C) inserted (19.3.1997 with effect as mentioned in [Sch. 13 para. 7](#) of the amending Act) by [1997 c. 15, s. 83\(6\)](#), [Sch. 13 para. 4](#)

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- F9** Words in Sch. 15 para. 5(5) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(3)(a)** (with Sch. 2 paras. 1-10, 54)
- F10** Words in Sch. 15 para. 5(6)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(3)(b)(i)** (with Sch. 2 paras. 1-10, 54)
- F11** Words in Sch. 15 para. 5(6)(b) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(3)(b)(ii)** (with Sch. 2 paras. 1-10, 54)
- F12** Words in Sch. 15 para. 5(7) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(3)(c)(i)** (with Sch. 2 paras. 1-10, 54)
- F13** Words in Sch. 15 para. 5(7) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(3)(c)(ii)** (with Sch. 2 paras. 1-10, 54)
- F14** Words in Sch. 15 para. 5(7) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(3)(c)(iii)** (with Sch. 2 paras. 1-10, 54)

Modifications etc. (not altering text)

- C1** Sch. 15 para. 5(7) applied (with modifications) (24.7.2002) by Finance Act 2002 (c. 23), s. 82(1), **Sch. 25 Pt. 3 para. 64(6)**
- C2** Sch. 15 para. 5(7) applied (with modifications) (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 2 para. 60(5)** (with Sch. 2 Pts. 1, 2)

Marginal Citations

- M2** 1993 c. 34.
M3 1993 c. 34.
M4 1993 c. 34.

Method of giving effect to paragraph 5 adjustments

- 6 (1) Subject to sub-paragraph (4) below, the difference mentioned in paragraph 5(2) above shall be brought into account in accordance with sub-paragraph (2) or (3) below in the accounting period in which the company ceases to be a party to the relationship.
- (2) If—
- (a) the relationship is a creditor relationship and the difference consists in an excess of the amount mentioned in paragraph 5(2)(b) above over the amount mentioned in paragraph 5(2)(a) above, or
- (b) the relationship is a debtor relationship and the difference consists in an excess of the amount mentioned in paragraph 5(2)(a) above over the amount mentioned in paragraph 5(2)(b) above,
- the difference shall be brought into account as a credit given for the purposes of this Chapter for the period mentioned in sub-paragraph (1) above.
- (3) In any other case, the difference shall be brought into account as a debit given for the purposes of [F15Part 5 of the Corporation Tax Act 2009] for the period so mentioned.
- [F16(4) Sub-paragraphs (1) to (3) above do not apply if the company duly made an election for the purposes of this sub-paragraph as it had effect on 30th September 1996.]
- (8) Where any credit or debit falls to be brought into account under this paragraph for any accounting period for the whole or any part of which the company carries on the trade in question, the credit or debit shall be brought into account under [F17section 297 of the Corporation Tax Act 2009] in relation to that trade; and, in any other case, it

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shall be brought into account as a non-trading credit or non-trading debit [^{F18} under Part 5 of that Act].

Textual Amendments

- F15** Words in Sch. 15 para. 6(3) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(4)(a)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F16** Sch. 15 para. 6(4) substituted for Sch. 15 para. 6(4)-(7) (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(4)(b)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F17** Words in Sch. 15 para. 6(8) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(4)(c)(i)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F18** Words in Sch. 15 para. 6(8) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(4)(c)(ii)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)

Modifications etc. (not altering text)

- C3** Sch. 15 para. 6(1)(2) extended (27.7.1999 with effect as mentioned in s. 81(12) of the amending Act) by 1999 c. 16, s. 81(4)(5)

General savings for the taxation of chargeable gains

- 7 The amendments of the 1992 Act contained in Schedule 14 to this Act and the related repeals made by this Act—
- (a) so far as they relate to section 253 of the 1992 Act, do not apply to any loan the outstanding amount of principal on which became irrecoverable before 1st April 1996;
 - (b) so far as they relate to section 254 of the 1992 Act, do not apply to any security whose value became negligible before 1st April 1996;
 - (c) so far as they relate to anything else, do not apply in relation to any disposal made, or deemed to be made, before 1st April 1996.

Transitional provision for chargeable assets held after commencement

- 8 (1) This paragraph applies where—
- (a) on 31st March 1996 any company (“the relevant company”) held any asset representing, in whole or in part, any loan relationship to which it was a party on that date;
 - (b) the company did not dispose of that asset on that date and does not fall (apart from by virtue of this paragraph) to be treated for the purposes of the 1992 Act as having made a disposal of it on that date;
 - (c) the asset is not one to which section 92 of this Act or paragraph 15 below applies;
 - (d) that asset is not an asset representing a loan relationship to which section 93 of this Act applies;
 - (e) that asset is not a relevant qualifying asset; and
 - (f) a relevant event occurs.
- (2) For the purposes of this paragraph a relevant event occurs on the first occasion after 31st March 1996 when the relevant company or any other company falls to be treated

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for the purposes of the 1992 Act as making a disposal, other than one to which section 139, 140A, [^{F19}or 171(1)] of that Act (disposals on which neither a gain nor a loss accrues) applies, of—

- (a) the asset in question, so far as it has not come to be represented by an asset falling within paragraph (b) below, or
- (b) any such asset as falls to be treated for the purposes of that Act as the same as that asset.

(3) The amount of any chargeable gain or allowable loss which would have been treated as accruing to the relevant company on the assumption—

- (a) that it had made a disposal of the asset on 31st March 1996, and
- (b) (so far as relevant for the purpose of computing the amount of that gain or loss) that the disposal had been for a consideration equal to the market value of the asset,

shall be brought into account (subject to the following provisions of this paragraph and to paragraph 9 below) as one accruing to the company (“the chargeable company”) which makes the disposal constituting the relevant event, and shall be so brought into account in the accounting period in which that event occurs.

(4) The amount of the deemed chargeable gain or deemed allowable loss falling to be brought into account in accordance with sub-paragraph (3) above shall be treated as reduced by the extent (if any) to which it is, in relation to the company, an amount that already has been, or falls to be, taken into account for the purposes of corporation tax by virtue of the use of any accruals or mark to market basis of accounting—

- (a) for those purposes;
- (b) as respects times before 1st April 1996; and
- (c) in relation to the asset in question.

(5) To the extent that any deemed chargeable gain or deemed allowable loss falling to be brought into account under sub-paragraph (3) above includes any gain or loss deemed to accrue under section 116(10)(b) of the 1992 Act (qualifying corporate bonds acquired in a reorganisation etc.), that gain or loss shall be deemed to have accrued for the purposes of that sub-paragraph and (without prejudice to its being brought into account in accordance with that sub-paragraph) shall not be taken to accrue again on the occurrence of the relevant event or any subsequent disposal of any asset.

[^{F20}(5A) In any case where the relevant event has not occurred before 14th November 1996, the deemed chargeable gain or deemed allowable loss falling to be brought into account in accordance with sub-paragraph (3) above shall be computed without any account being taken of the provisions of section 119(6) and (7) of the 1992 Act (transfer of securities with or without accrued interest).]

(6) In any case where—

- (a) the relevant company is one which at any time before 1st April 1996 was not resident in the United Kingdom,
- (b) the asset was held by the relevant company at such a time, and
- (c) if the asset had been disposed of at that time and a gain had accrued to the relevant company on that disposal, it would not have been included in the company’s chargeable profits by virtue of section [^{F21}10B] of the 1992 Act (gain [^{F22}attributable to a permanent establishment] of a non-resident company),

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the relevant company shall be deemed for the purposes of sub-paragraph (3) above to have acquired the asset, at market value, on the first day on which any relevant gain would have been included in the company's chargeable profits for the purposes of corporation tax (whether because it is a day on which the company became resident, or the asset became situated, in the United Kingdom or for any other reason).

- (7) In sub-paragraph (6) above the reference, in relation to a company, to a relevant gain is a reference to any gain which would have accrued to the company on the following assumptions, that is to say—
- (a) that the relevant company disposed of the asset on the day in question;
 - (b) that that disposal gave rise to a gain; and
 - (c) that any allowable losses which might have been available for deduction under section 8(1) of, or Schedule 7A to, the 1992 Act were to be disregarded.
- (8) In any case where the company acquired the asset on a disposal on which, by virtue of any enactment specified in section 35(3)(d) of the 1992 Act, neither a gain nor a loss accrued to the person making the disposal, the reference in sub-paragraph (6) or (7) above to the relevant company includes—
- (a) a reference to the company from which it acquired the asset; and
 - (b) if that company also acquired the asset on such a disposal, a reference to the company from which the asset was acquired by that company, and so on through any number of such disposals.
- (9) In any case where section 176 of the 1992 Act (depreciatory transactions within a group) would have applied in relation to the disposal referred to in sub-paragraph (3) above if that disposal had actually taken place, that section shall apply for the calculation of any deemed allowable loss to be brought into account by virtue of that sub-paragraph.
- (10) For the purposes of this paragraph a company that ceases to be within the charge to corporation tax shall be deemed to make a disposal of all its assets at their market value immediately before ceasing to be within that charge.
- (11) In this section—
- “market value” has the same meaning as in the 1992 Act; and
- “relevant qualifying asset” has the same meaning as in paragraph 5 above.

Textual Amendments

- F19** Words in Sch. 15 para. 8(2) substituted (28.7.2000 with effect in relation to disposals on or after 1.4.2000) by 2000 c. 17, s. 102, Sch. 29 paras. 3(2), 45
- F20** Sch. 15 para. 8(5A) inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 5
- F21** Word in Sch. 15 para. 8(6)(c) substituted (with effect in accordance with s. 155(2) of the amending Act) by Finance Act 2003 (c. 14), Sch. 27 para. 8(a)
- F22** Words in Sch. 15 para. 8(6)(c) substituted (with effect in accordance with s. 155(2) of the amending Act) by Finance Act 2003 (c. 14), Sch. 27 para. 8(b)

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Election for alternative treatment of amounts specified in paragraph 8

- 9 (1) Subject to the following provisions of this paragraph, where (apart from this paragraph) any amount representing a deemed allowable loss would fall in the case of any company to be brought into account for any accounting period in accordance with sub-paragraph (3) of paragraph 8 above, the chargeable company may elect for that amount to be brought into account for that period for the purposes of this Chapter [^{F23}or Part 5 of the Corporation Tax Act 2009], instead of in accordance with that sub-paragraph.
- (2) An amount brought into account for the purposes of this Chapter [^{F24}or that Part] by virtue of an election under this paragraph shall be so brought into account as a debit given for that period for the purposes of this Chapter [^{F25}or, as the case may be, that Part].
- (3) The question whether or not any debit brought into account for any accounting period in accordance with sub-paragraph (2) above is to be brought into account for that period as a non-trading debit shall be determined according to how other credits or debits relating to the loan relationship in question are, or (if there were any) would be, brought into account for that period.
- (4) No election shall be made under this paragraph in respect of any deemed allowable loss in any case where the asset in respect of which that loss is deemed to have accrued was one which, as at 1st April 1996, either—
- (a) fell in accordance with section 127 or 214(9) of the 1992 Act (equation of new holding with previous holding) to be treated as the same as an asset which was not an asset representing a loan relationship; or
 - (b) would have so fallen but for section 116(5) of that Act.
- (5) An election shall not be made under this paragraph at any time more than two years after the occurrence of the relevant event by virtue of which the amount to which the election relates would fall to be brought into account in accordance with paragraph 8(3) above.

Textual Amendments

- F23** Words in Sch. 15 para. 9(1) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(5\)\(a\)](#) (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F24** Words in Sch. 15 para. 9(2) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(5\)\(b\)\(i\)](#) (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F25** Words in Sch. 15 para. 9(2) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(5\)\(b\)\(ii\)](#) (with Sch. 2 paras. 1-10, 54)

Adjustments of opening value for mark to market accounting in the case of chargeable assets

^{F26}10

Textual Amendments

- F26** Sch. 15 para. 10 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(6\), Sch. 3 Pt. 1](#) (with Sch. 2 paras. 1-10, 54)

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Other adjustments in the case of chargeable assets etc.

11 (1) Where—

- (a) an authorised accruals basis of accounting is applied as respects any continuing loan relationship of a company for the company's first relevant accounting period,
- (b) an asset representing that relationship is a relevant asset or any liability under it is a relevant liability, and
- (c) the relationship is not one as respects which, if the company had ceased to be a party to the relationship on 31st March 1996, any amounts would have been brought into account in computing, for an accounting period ending on or after that date, the profits or losses of the company from any trade carried on by it,

that accounting method shall be taken for the purposes of [^{F27}Part 5 of the Corporation Tax Act 2009] to require the asset or liability to be given a notional closing value as at 31st March 1996 in accordance with paragraph 12 below and the following provisions of this paragraph shall apply if there is any difference in the case of that relationship between the amounts mentioned in sub-paragraph (2) below.

[^{F28}(2) Those amounts are—

- (a) the notional closing value of the relationship as at 31st March 1996; and
- (b) the amount which would be taken on a computation made—
 - (i) in accordance with an authorised accruals basis of accounting, and
 - (ii) on the assumption that such a basis of accounting had always been used as respects that relationship,
 to represent the accrued value of the loan relationship in question on 1st April 1996.

[If, in a case where the continuing loan relationship is a creditor relationship,—

- ^{F29}(2A)
- (a) the company acquired its rights under the relationship on or before 31st March 1996 by virtue of an arm's length transaction,
 - (b) for the accounting period in which it acquired those rights—
 - (i) there was no connection (as defined in sub-paragraph (2C) below) between the company and the person from whom the company acquired the asset, but
 - (ii) there was such a connection between the company and a company standing in the position of a debtor as respects the money debt, and
 - (c) there had been no such connection between the companies mentioned in paragraph (b)(ii) above at any time in the period which—
 - (i) begins 4 years before the date on which the company acquired those rights, and
 - (ii) ends twelve months before that date,
 this paragraph shall have effect as if the amount mentioned in sub-paragraph (2)(b) above were an amount equal to the greater of the amounts mentioned in sub-paragraph (2B) below.

(2B) Those amounts are—

- (a) the fair value of the rights at the time when the company ceases to be a party to the loan relationship; and
- (b) the fair value of the rights on 1st April 1996.

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- (2C) For the purposes of sub-paragraph (2A) above there is a connection between a company and another person at any time if at that time—
- (a) the other person is a company and one of the companies has control of the other,
 - (b) the other person is a company and both companies are under the control of the same person, or
 - (c) the company is a close company and the other person is a participator in that company or the associate of a person who is such a participator,
- and there is a connection between a company and another person for an accounting period if there is a connection (within paragraphs (a) to (c) above) between the company and the person at any time in that accounting period.
- (2D) For the purposes of sub-paragraph (2C) above—
- ^{F30}(a) sections 450 and 451 of the Corporation Tax Act 2010 (meaning of control) apply as they apply for the purposes of Part 10 of that Act;
 - (b) subject to paragraph (c) below, “associate” and “participator” have the same meaning as in that Part (see sections 448 and 454 of that Act);]
 - (c) a person shall not be regarded as a participator in relation to a company by reason only that he is a loan creditor of the company.]
- (3) Where there is a difference between the amounts mentioned in sub-paragraph (2) above, that difference shall be brought into account—
- (a) where the amount mentioned in paragraph (a) of that sub-paragraph is the smaller, as a credit given for the purposes of [^{F31}Part 5 of the Corporation Tax Act 2009] for the accounting period in which the company ceases to be a party to the relationship; and
 - (b) in any other case, as a debit so given.]
- (5) Where the company ceases to be within the charge to corporation tax, it shall be deemed for the purposes of this paragraph to have ceased to be a party to the relationship in question immediately before ceasing to be within that charge.
- (6) A credit or debit brought into account under this paragraph shall be brought into account as a non-trading credit or non-trading debit [^{F32}under Part 5 of the Corporation Tax Act 2009] .
- (7) In this paragraph—
- “chargeable asset”, in relation to a company, means (subject to sub-paragraph (8) below) any asset held by the company on 31st March 1996 in the case of which one of the following conditions is satisfied, that is to say—
- (a) a gain accruing to the company on a disposal of that asset on that date would have fallen to be treated in relation to the company as a chargeable gain; or
 - (b) a chargeable gain or allowable loss would be deemed to have accrued to the company on any disposal of that asset on that date;
- and
- “relevant asset” means a chargeable asset or a relevant qualifying asset.
- (8) An asset is not a chargeable asset for the purposes of this paragraph if (disregarding the provisions of this Chapter [^{F33}and Part 5 of the Corporation Tax Act 2009]) it is

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an asset any disposal of which on 31st March 1996 would have fallen to be regarded for the purposes of the 1992 Act as a disposal of a qualifying corporate bond.

- (9) Expressions used in this paragraph and paragraph 5 above have the same meanings in this paragraph as in that paragraph.

Textual Amendments

- F27** Words in Sch. 15 para. 11(1) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 444(7)(a)** (with Sch. 2 Pts. 1, 2, [Sch. 2 para. 54](#))
- F28** Sch. 15 para. 11(2)(3) substituted (19.3.1997 with effect as mentioned in [Sch. 13 para. 7](#) of the amending Act) for Sch. 15 para. 11(2)-(4) by [1997 c. 15](#), s. 83(6), **Sch. 13 para. 6**
- F29** Sch. 15 para. 11(2A)-(2D) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 41(2)**
- F30** [Sch. 15 para. 11\(2D\)\(a\)\(b\)](#) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 293** (with [Sch. 2](#))
- F31** Words in Sch. 15 para. 11(3)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 444(7)(a)** (with Sch. 2 Pts. 1, 2, [Sch. 2 para. 54](#))
- F32** Words in Sch. 15 para. 11(6) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 444(7)(b)** (with [Sch. 2 paras. 1-10, 54](#))
- F33** Words in Sch. 15 para. 11(8) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 444(7)(c)** (with Sch. 2 Pts. 1, 2, [Sch. 2 para. 54](#))

[^{F34}Reduction of paragraph 11 credit where s.251(4) of 1992 Act prevents paragraph 8 loss

Textual Amendments

- F34** Sch. 15 para. 11A and cross-heading inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 42**

- 11A (1) This paragraph applies where, in the case of any asset representing in whole or in part a loan relationship of a company, an amount representing a deemed allowable loss would (apart from this paragraph) fall or have fallen to be brought into account in accordance with paragraph 8(3) above for an accounting period (whenever beginning or ending), but for section 251(4) of the 1992 Act (no allowable loss on disposal of debt acquired from connected person).
- (2) Where this paragraph applies, the amount of any credit falling within sub-paragraph (3) below shall be treated for the purposes of [^{F35}Part 5 of the Corporation Tax Act 2009] as reduced (but not below nil) by the amount described in sub-paragraph (1) above.
- (3) A credit falls within this sub-paragraph if (apart from this paragraph)—
- the credit falls to be given by virtue of paragraph 11(3)(a) above for an accounting period beginning on or after 1st October 2002; and
 - the loan relationship mentioned in paragraph 11(1)(a) above in the case of the credit is the same loan relationship as the one mentioned in sub-paragraph (1) above.]

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Textual Amendments

- F35** Words in Sch. 15 para. 11A(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(8)** (with Sch. 2 paras. 1-10, 54)

Notional closing values of relevant assets

- 12 (1) Subject to sub-paragraph (2) below, the notional closing value as at 31st March 1996 of any relevant asset representing a loan relationship of a company, or of any relevant liability, shall be taken for the purposes of paragraphs 5 and 11 above, to be an amount equal to the following amount, that is to say—
- (a) in the case of a chargeable asset, its market value on that date;
 - (b) in the case of a relevant qualifying asset or relevant liability, the value given to it as at the company’s commencement day for the purpose of computing any attributed amount.
- (2) Sub-paragraph (3) below applies where a company, by notice in writing given on or before 30th September 1996 to an officer of the Board, [^{F36}made] an election for the purposes of that sub-paragraph in relation to all of its relevant qualifying assets which—
- (a) apart from the election, would be given a notional closing value as at 31st March 1996 by sub-paragraph (1) above; and
 - (b) but for Chapter II of Part II of the ^{M5}Finance Act 1993 (exchange gains and losses), would be chargeable assets.
- (3) Where such an election [^{F37}was made] as respects those assets—
- (a) sub-paragraph (1) above shall not apply as respects those assets; but
 - (b) the value of each of those assets as at 1st April 1996 shall be taken for the purposes of this Chapter [^{F38}and Part 5 of the Corporation Tax Act 2009] to be its market value on that date.
- (4) In this paragraph “chargeable asset” and “relevant asset” have the same meanings as in paragraph 11 above; and expressions used in this paragraph and paragraph 5 above have the same meanings in this paragraph as in that paragraph.

Textual Amendments

- F36** Word in Sch. 15 para. 12(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(9)(a)** (with Sch. 2 paras. 1-10, 54)
- F37** Words in Sch. 15 para. 12(3) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(9)(b)(i)** (with Sch. 2 paras. 1-10, 54)
- F38** Words in Sch. 15 para. 12(3) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(9)(b)(ii)** (with Sch. 2 paras. 1-10, 54)

Marginal Citations

- M5** 1993 c. 34.

Further transitional rules for interest under loan relationships

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Textual Amendments

- F39** Sch. 15 para. 13 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 444(10)(a), **Sch. 3 Pt. 1** (with Sch. 2 paras. 1-10, 54)

Transitional in respect of incidental expenses already allowed

F40 14

Textual Amendments

- F40** Sch. 15 para. 14 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 444(10)(b), **Sch. 3 Pt. 1** (with Sch. 2 paras. 1-10, 54)

Holdings of unit trusts etc.

F41 15

Textual Amendments

- F41** Sch. 15 para. 15 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 444(10)(c), **Sch. 3 Pt. 1** (with Sch. 2 paras. 1-10, 54)

Bad debt relieved before commencement

- 16 (1) This paragraph applies where—
- (a) an amount becomes, or is to become, due and payable under a creditor relationship of a company in an accounting period ending on or after 1st April 1996, but
 - (b) by virtue of any of sub-paragraphs (i) to (iii) of section 74(1)(j) of the Taxes Act 1988 (or any enactment re-enacted in those sub-paragraphs), a deduction of an amount representing the whole or any part of the amount payable was authorised to be made, and was made, in computing for the purposes of corporation tax the profits of the company for any accounting period ending before that date.
- (2) Subject to sub-paragraph (3) below, nothing in this Chapter [^{F42}or Part 5 of the Corporation Tax Act 2009] shall require it to be assumed for the purposes of this Chapter [^{F43}or that Part] that any part of the amount to which the deduction relates will be paid in full as it becomes due.
- (3) Subject to sub-paragraph (4) below, where—
- (a) the deduction relates to an amount payable under a creditor relationship of a company which has been proved or estimated to be a bad debt, but
 - (b) in an accounting period ending on or after 1st April 1996 the whole or any part of the liability under that relationship to pay that amount is discharged by payment,
- this Chapter [^{F44}and Part 5 of the Corporation Tax Act 2009] shall have effect, in the case of that company, as if there were a credit equal to the amount of the payment

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to be brought into account for the purposes of this Chapter [^{F45}and that Part] for that period.

- (4) Sub-paragraph (3) above does not apply to so much of any payment as is an amount in relation to which a credit [^{F46}fell] to be brought into account for the purposes of this Chapter in accordance with paragraph 13(4) above.

Textual Amendments

- F42** Words in Sch. 15 para. 16(2) inserted (with effect in accordance with s. 1329(1) of the amending Act) by *Corporation Tax Act 2009* (c. 4), s. 1329(1), **Sch. 1 para. 444(11)(a)(i)** (with Sch. 2 paras. 1-10, 54)
- F43** Words in Sch. 15 para. 16(2) inserted (with effect in accordance with s. 1329(1) of the amending Act) by *Corporation Tax Act 2009* (c. 4), s. 1329(1), **Sch. 1 para. 444(11)(a)(ii)** (with Sch. 2 paras. 1-10, 54)
- F44** Words in Sch. 15 para. 16(3) inserted (with effect in accordance with s. 1329(1) of the amending Act) by *Corporation Tax Act 2009* (c. 4), s. 1329(1), **Sch. 1 para. 444(11)(b)(i)** (with Sch. 2 paras. 1-10, 54)
- F45** Words in Sch. 15 para. 16(3) inserted (with effect in accordance with s. 1329(1) of the amending Act) by *Corporation Tax Act 2009* (c. 4), s. 1329(1), **Sch. 1 para. 444(11)(b)(ii)** (with Sch. 2 paras. 1-10, 54)
- F46** Word in Sch. 15 para. 16(4) substituted (with effect in accordance with s. 1329(1) of the amending Act) by *Corporation Tax Act 2009* (c. 4), s. 1329(1), **Sch. 1 para. 444(11)(c)** (with Sch. 2 paras. 1-10, 54)

Transitional for overseas sovereign debt etc.

- 17 (1) Subject to any regulations under sub-paragraph (4) below and notwithstanding anything in the preceding provisions of this Schedule, the value which for the purposes of this Chapter [^{F47}and Part 5 of the *Corporation Tax Act 2009*] is to be taken to be the value as at 1st April 1996 of a company's rights under any creditor relationship relating to a relevant overseas debt any part of which falls to be estimated as bad, is the following amount—
- (a) where the company was not entitled to the debt before the end of its last period of account to end before 1st April 1996, the amount for which the company acquired those rights; and
- (b) in any other case, the amount of so much of that debt as did not fall, in accordance with section 88B of the *Taxes Act 1988*, to be estimated as at the end of that period to be bad.
- (2) Subject to any regulations under sub-paragraph (4) below, sub-paragraph (3) below shall apply where there is a loss incurred before 1st April 1996 to which section 88C of the *Taxes Act 1988* has applied or applies by virtue of paragraph 2 above.
- (3) Where, apart from this Chapter [^{F48}and Part 5 of the *Corporation Tax Act 2009*], any amount would have been allowed in respect of the loss as a deduction for any accounting period ending after 31st March 1996, that amount shall not be so allowed but shall, instead, be brought into account for the purposes of this Chapter [^{F49}and that Part] as if it were a debit given for that accounting period by paragraph 9 of Schedule 9 to this Act in respect of a loss incurred on or after 1st April 1996.
- (4) The Treasury may by regulations—
- (a) make such transitional provision as they consider appropriate for purposes connected with the coming into force of paragraphs 8 and 9 of Schedule 9 to this Act and the repeal of sections 88A to 88C of the *Taxes Act 1988* (which contained corresponding provisions); and

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- (b) in connection with any such provision, make such modifications of this Schedule (including sub-paragraphs (1) to (3) above) as they consider appropriate;

and regulations made by virtue of this sub-paragraph may have retrospective effect in relation to any accounting periods ending on or after 1st April 1996.
- (5) The Treasury shall not make any regulations under sub-paragraph (4) above unless a draft of them has been laid before and approved by a resolution of the House of Commons.
- (6) In this paragraph “relevant overseas debt” has the same meaning as in paragraphs 8 and 9 of Schedule 9 to this Act.

Textual Amendments

- F47** Words in Sch. 15 para. 17(1) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 444(12)(a)** (with [Sch. 2 paras. 1-10, 54](#))
- F48** Words in Sch. 15 para. 17(3) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 444(12)(b)(i)** (with [Sch. 2 paras. 1-10, 54](#))
- F49** Words in Sch. 15 para. 17(3) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 444(12)(b)(ii)** (with [Sch. 2 paras. 1-10, 54](#))

Transitional for accrued income scheme

^{F50}18

Textual Amendments

- F50** Sch. 15 para. 18 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 444\(13\)](#), **Sch. 3 Pt. 1** (with [Sch. 2 paras. 1-10, 54](#))

Deep discount securities

19 ^{F51}(1)

^{F52}(2)

- (3) The repeal by this Act of section 64 of the ^{M6}Finance Act 1993 (deemed transfers in the case of deep discount securities) and of enactments relating to that section shall not apply in relation to relevant times falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.
- [^{F53}(3A) Any income that is treated as arising at the time mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (3) above, shall be brought into account as a non-trading credit given for the purposes of [^{F54}Part 5 of the Corporation Tax Act 2009] for the accounting period in which that time falls.]
- (4) Where—
 - (a) a company issued a deep discount security before 1st April 1996 which was not redeemed before that date, and

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- (b) there is a difference between the adjusted issue price of the security as at 31st March 1996 and the adjusted closing value of that security as at that date, the amount of that difference shall, in the case of that company, be brought into account for the purposes of [F⁵⁵Part 5 of the Corporation Tax Act 2009] in accordance with sub-paragraph (5) below.
- (5) An amount falling to be brought into account for the purposes of [F⁵⁶Part 5 of the Corporation Tax Act 2009] in accordance with this sub-paragraph shall be brought into account for those purposes for the accounting period in which the security is redeemed—
- (a) if the adjusted issue price of the security as at 31st March 1996 is greater than the adjusted closing value of the security as at that date, as a non-trading credit; and
- (b) if the adjusted closing value of the security as at that date is the greater, as a non-trading debit.
- (6) Where—
- (a) a company held a deep discount security on 31st March 1996,
- (b) the company did not make any disposal of that security on that date,
- (c) the security is not one in relation to which there is, or is deemed to be, a relevant time on that date for the purposes of section 64 of the ^{M7}Finance Act 1993, and
- (d) there is an amount which, if the company had made a disposal of that security on that date, would have been treated under paragraph 4 of Schedule 4 to the Taxes Act 1988 as income chargeable to tax under Case III or IV of Schedule D,
- that amount shall be brought into account as a non-trading credit given for the purposes of [F⁵⁷Part 5 of the Corporation Tax Act 2009] for the accounting period mentioned in sub-paragraph (9) below.
- (7) Where—
- (a) a company held a deep discount security on 31st March 1996,
- [F⁵⁸(b) the company did not make any disposal of that security on that date,]
- (c) the security is not an asset falling to be treated as a relevant asset of the company for the purposes of paragraph 11 above, and
- (d) there is a difference between the adjusted issue price of the security as at 31st March 1996 and the adjusted closing value of that security as at that date, the amount of that difference (in addition to any amount given by sub-paragraph (6) above) shall, in the case of that company, be brought into account for the purposes of [F⁵⁹Part 5 of the Corporation Tax Act 2009] in accordance with sub-paragraph (8) below.
- (8) An amount falling to be brought into account for the purposes of [F⁶⁰Part 5 of the Corporation Tax Act 2009] in accordance with this sub-paragraph shall be brought into account for those purposes for the accounting period mentioned in sub-paragraph (9) below—
- (a) if the adjusted issue price of the security as at 31st March 1996 is greater than the adjusted closing value of the security as at that date, as a non-trading debit; and

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- (b) if the adjusted closing value of the security as at that date is the greater, as a non-trading credit.
- (9) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—
- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
 - (b) the day on which the security is redeemed; and
 - (c) the day on which the company makes a disposal of that security.
- ^{F61}(10)
- (11) For the purposes of this paragraph, in relation to any company—
- (a) the adjusted issue price of a deep discount security as at 31st March 1996 is whatever for the purposes of Schedule 4 to the Taxes Act 1988 would have been the adjusted issue price of that security for an income period beginning with 1st April 1996; and
 - (b) the adjusted closing value of a security as at 31st March 1996 is the amount which for the purposes of [^{F62}this Chapter was] is the opening value as at 1st April 1996 of the company’s rights and liabilities under the loan relationship of the company that is represented by that security;
- and sub-paragraph (7) of paragraph 5 above shall apply for the purposes of this sub-paragraph as it applies for the purposes of that paragraph.
- (12) In this paragraph “deep discount security”, “disposal” and “income period” have the same meanings as in Schedule 4 to the Taxes Act 1988.

Textual Amendments

- F51** Sch. 15 para. 19(1) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 444(14)(a), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F52** Sch. 15 para. 19(2) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 444(14)(a), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F53** Sch. 15 para. 19(3A) inserted (27.7.1999 with effect as mentioned in s. 67(6) of the amending Act) by 1999 c. 16, s. 67(1)
- F54** Words in Sch. 15 para. 19(3A) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(14)(b)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F55** Words in Sch. 15 para. 19(4) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(14)(b)** (with Sch. 2 paras. 1-10, 54)
- F56** Words in Sch. 15 para. 19(5) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(14)(b)** (with Sch. 2 paras. 1-10, 54)
- F57** Words in Sch. 15 para. 19(6) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(14)(b)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F58** Sch. 15 para. 19(7)(b) substituted (27.7.1999 with effect as mentioned in s. 67(7) of the amending Act) by 1999 c. 16, s. 67(3)

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- F59** Words in Sch. 15 para. 19(7) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(14)(b)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F60** Words in Sch. 15 para. 19(8) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(14)(b)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F61** Sch. 15 para. 19(10) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 444(14)(c), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F62** Words in Sch. 15 para. 19(11)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(14)(d)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)

Marginal Citations

- M6** 1993 c. 34.
M7 1993 c. 34.

Deep gain securities

20 ^{F63}(1)

(2) The repeal by this Act of section 65 of the ^{M8}Finance Act 1993 (deemed transfers in the case of deep gain securities) and of enactments relating to that section shall not apply in relation to relevant days falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.

^{F64}(2A) Any income that is treated as arising on the day mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (2) above, shall be brought into account as a non-trading credit given for the purposes of ^{F65}Part 5 of the Corporation Tax Act 2009] for the accounting period in which that day falls.]

(3) Where—

- (a) a company held a deep gain security on 31st March 1996,
- (b) the security was not transferred or redeemed by that company on that date,
- (c) the security is not one in relation to which that date is, or is deemed to be, a relevant day for the purposes of section 65 of the Finance Act 1993, and
- (d) there is an amount which, if the company had made a transfer of that security on that date by selling it for its adjusted closing value, would have been treated under paragraph 5 of Schedule 11 to the Finance Act 1989 as income chargeable to tax under Case III or IV of Schedule D,

that amount shall be brought into account as a non-trading credit given for the purposes of ^{F66}Part 5 of the Corporation Tax Act 2009] for the accounting period mentioned in sub-paragraph (4) below.

(4) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—

- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
- (b) the day on which the security is redeemed; and
- (c) the day on which the company makes a disposal of that security.

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- (5) For the purposes of this paragraph the adjusted closing value of a deep gain security held by a company on 31st March 1996 shall be the amount which for the purposes of [^{F67}this Chapter (as it had effect immediately before 1st April 2009) was] the opening value as at 1st April 1996 of the company's rights and liabilities under the relationship represented by that security; and sub-paragraph (7) of paragraph 5 above shall apply for the purposes of this sub-paragraph as it applies for the purposes of that paragraph.
- (6) In this paragraph “deep gain security” and “transfer” have the same meanings as in Schedule 11 to the ^{M9}Finance Act 1989.

Textual Amendments

- F63** Sch. 15 para. 20(1) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 444(15)(a), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F64** Sch. 15 para. 20(2A) inserted (27.7.1999 with effect as mentioned in s. 67(6) of the amending Act) by 1999 c. 16, s. 67(2)
- F65** Words in Sch. 15 para. 20(2A) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(15)(b)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F66** Words in Sch. 15 para. 20(3) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(15)(b)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)
- F67** Words in Sch. 15 para. 20(5) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(15)(c)** (with Sch. 2 Pts. 1, 2, Sch. 2 para. 54)

Marginal Citations

- M8** 1993 c. 34.
M9 1989 c. 26.

Convertible securities

- 21 ^{F68}(1)
- (2) Where—
- a company held a qualifying convertible security on 31st March 1996,
 - that date was not a date on which any chargeable event occurred in relation to that security, and
 - there is an amount which, if there had been a chargeable event on that date, would have been treated under paragraph 12 of Schedule 10 to the Finance Act 1990 as income chargeable to tax under Case III or IV of Schedule D,
- that amount shall be brought into account, in the case of that company, as a non-trading credit given for the purposes of [^{F69}Part 5 of the Corporation Tax Act 2009] for the accounting period mentioned in sub-paragraph (3) below.
- (3) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—
- the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;

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- (b) the day on which the security is redeemed; and
 - (c) the day on which the company makes a disposal of that security.
- (4) Where—
- (a) any qualifying convertible security is redeemed, and
 - (b) that security is one in the case of which any amount falls to be brought into account under sub-paragraph (2) above,
- an amount equal to that amount shall be brought into account, in the case of the company that issued the security, as a non-trading debit given for the purposes of [F70Part 5 of the Corporation Tax Act 2009] for the accounting period in which the redemption occurs.
- (5) In this paragraph “chargeable event” and “qualifying convertible security” have the same meanings as in Schedule 10 to the Finance Act 1990.

Textual Amendments

- F68** Sch. 15 para. 21(1) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 444(16)(a), **Sch. 3 Pt. 1** (with , Sch. 2 paras. 1-10, 54)
- F69** Words in Sch. 15 para. 21(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(16)(b)** (with Sch. 2 paras. 1-10, 54)
- F70** Words in Sch. 15 para. 21(4) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 444(16)(b)** (with Sch. 2 paras. 1-10, 54)

Transitional and savings for Chapter II of Part II of the Finance Act 1993

22 F71

Textual Amendments

- F71** Sch. 15 para. 22-24 repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), ss. 79(2), 141, **Sch. 23 Pt. 1 para. 16, Sch. 40 Pt. 3(10)** (with Sch. 23 Pt. 3 para. 25)

Carrying back non-trading losses against exchange profits etc.

23 F72

Textual Amendments

- F72** Sch. 15 para. 22-24 repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), ss. 79(2), 141, **Sch. 23 Pt. 1 para. 16, Sch. 40 Pt. 3(10)** (with Sch. 23 Pt. 3 para. 25)

Exchange losses etc. carried forward from before 1st April 1996

24 F73

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Textual Amendments

- F73** Sch. 15 para. 22-24 repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 79(2), 141, [Sch. 23 Pt. 1 para. 16](#), [Sch. 40 Pt. 3\(10\)](#) (with [Sch. 23 Pt. 3 para. 25](#))

Transitional for debt contracts and options to which Chapter II of Part IV of the Finance Act 1994 is applied

25

F74

Textual Amendments

- F74** Sch. 15 para. 25 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, [Sch. 40 Pt. 3\(13\)](#)

PART II **U.K.**

INCOME TAX AND CAPITAL GAINS TAX

Application and interpretation of Part II

- 26 (1) This Part of this Schedule (except paragraph 29) has effect for the purposes of income tax and capital gains tax but not for the purposes of corporation tax.
- (2) In this Part of this Schedule—
- “the 1992 Act” means the ^{M10}Taxation of Chargeable Gains Act 1992;
 - “market value” has the same meaning as in the 1992 Act;
 - “qualifying indexed security” has the meaning given by paragraph 2 of Schedule 11 to the ^{M11}Finance Act 1989; and
 - [^{F75}“deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430)].
- (3) References in this Part of this Schedule to a disposal within marriage [^{F76}or civil partnership] are references to any disposal to which section 58 of the 1992 Act applies.

Textual Amendments

- F75** Words in Sch. 15 para. 26(2) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 491\(2\)](#) (with [Sch. 2](#))
- F76** Words in Sch. 15 para. 26(3) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), [130](#)

Marginal Citations

- M10** 1992 c. 12.
M11 1989 c. 26.

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Qualifying indexed securities

- 27 (1) This paragraph applies where—
- (a) on 5th April 1996 any person (“the relevant person”) held a qualifying indexed security;
 - (b) that person did not dispose of that security on that date and does not fall (apart from by virtue of this paragraph) to be treated for the purposes of the 1992 Act as having made a disposal of it on that date; and
 - (c) a relevant event occurs.
- (2) For the purposes of this paragraph a relevant event occurs on the first occasion after 5th April 1996 when the relevant person, or a person to whom that person has made a disposal of the security within marriage [^{F77}or civil partnership], falls to be treated for the purposes of the 1992 Act as making a disposal (otherwise than within marriage [^{F77}or civil partnership]) which is—
- (a) a disposal of the security in question; or
 - (b) a disposal of any such asset as falls to be treated for the purposes of that Act as the same as that security.
- (3) The amount of any chargeable gain or allowable loss which would have been treated as accruing to the relevant person if—
- (a) he had made a disposal of the asset on 5th April 1996, and
 - (b) that disposal had been for a consideration equal to the market value of the asset,
- shall be brought into account as one accruing to the person who makes the disposal constituting the relevant event in the year of assessment in which that event occurs.

Textual Amendments

F77 Words in Sch. 15 para. 27(2) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **130**

- 28 For the purposes of [^{F78}Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities)] where—
- (a) a person held a qualifying indexed security both on and immediately after 5th April 1996, and
 - (b) that security is a [^{F78}deeply] discounted security,
- the amount which that person shall be taken to have paid in respect of his acquisition of that security on or before 5th April 1996 shall be an amount equal to its market value on that date.

Textual Amendments

F78 Words in Sch. 15 para. 28 substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 491\(3\)](#) (with Sch. 2)

- 29 For the purposes of paragraph 2 of Schedule 10 to this Act, paragraphs 27 and 28 above shall have effect in relation to an authorised unit trust for the first of its accounting periods to end after 31st March 1996 as if references in those paragraphs to 5th April 1996 were references to 31st March 1996.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 15. (See end of Document for details)

Transitional in relation to qualifying corporate bonds

- 30 (1) This paragraph applies where—
- (a) any person holds any asset on and immediately after 5th April 1996;
 - (b) that asset is one which came to be held by that person as a result of a transaction to which section 127 of the 1992 Act applies; and
 - (c) that asset falls from 5th April 1996 to be treated as a [F79 deeply] discounted security but is neither a qualifying indexed security nor such that it would have fallen to be treated as a qualifying corporate bond in relation to any disposal of it on that date.
- (2) Section 116 of the 1992 Act (reorganisations etc. involving qualifying corporate bonds) shall have effect as if—
- (a) there had been a transaction on 5th April 1996 by which the person holding the asset had disposed of it and immediately re-acquired it;
 - (b) the asset re-acquired had been a qualifying corporate bond; and
 - (c) the transaction had been a transaction to which section 127 of the 1992 Act would have applied but for section 116(5) of that Act.

Textual Amendments

F79 Word in Sch. 15 para. 30(1)(c) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 491\(4\)](#) (with Sch. 2)

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 15.