

## SCHEDULES

### SCHEDULE 39

#### ENACTMENT OF CERTAIN INLAND REVENUE EXTRA-STATUTORY CONCESSIONS

#### PART II

#### CHARGEABLE GAINS

##### *Treatment of compensation and insurance money*

- 3 (1) Section 23 of the Taxation of Chargeable Gains Act 1992 (receipt of compensation and insurance money not treated as a disposal) shall be amended as follows.
- (2) The following subsections shall be substituted for subsection (6):
- “(6) If a building (“the old building”) is destroyed or irreparably damaged, and all or part of a capital sum received by way of compensation for the destruction or damage, or under a policy of insurance of the risk of the destruction or damage, is applied by the recipient in constructing or otherwise acquiring a replacement building situated on other land (“the new building”), then for the purposes of subsections (4) and (5) above each of the old building and the new building shall be regarded as an asset separate from the land on which it is or was situated and the old building shall be treated as lost or destroyed.
- (7) For the purposes of subsection (6) above:
- (a) references to a building include references to any permanent or semi-permanent structure in the nature of a building; and
  - (b) the reference to a sum applied in acquiring the new building does not include a reference to a sum applied in acquiring the land on which the new building is situated; and
  - (c) all necessary apportionments shall be made of any expenditure, compensation or consideration, and the method of apportionment shall be such as is just and reasonable.
- (8) This section shall apply in relation to a wasting asset with the following modifications:
- (a) paragraphs (b) and (c) of subsection (1) above, and subsection (2) above, shall not apply; and
  - (b) in subsections (1) and (3) above, the amount of the expenditure from which the deduction is to be made shall be the amount which would have been allowable under Chapter III of this Part if the asset had been disposed of immediately after the application of the capital sum.”
- (3) The amendments made by this paragraph shall have effect in relation to capital sums received on or after 6th April 1996.

*Assets of negligible value*

- 4 (1) Section 24 of the Taxation of Chargeable Gains Act 1992 (disposals where assets lost or destroyed, or become of negligible value) shall be amended by the substitution of the following subsection for subsection (2):
- “(2) Where the owner of an asset which has become of negligible value makes a claim to that effect:
- (a) this Act shall apply as if the claimant had sold, and immediately reacquired, the asset at the time of the claim or (subject to paragraphs (b) and (c) below) at any earlier time specified in the claim, for a consideration of an amount equal to the value specified in the claim.
- (b) An earlier time may be specified in the claim if:
- (i) the claimant owned the asset at the earlier time; and
- (ii) the asset had become of negligible value at the earlier time; and either
- (iii) for capital gains tax purposes the earlier time is not more than two years before the beginning of the year of assessment in which the claim is made; or
- (iv) for corporation tax purposes the earlier time is on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.
- (c) Section 93 of and Schedule 12 to the Finance Act 1994 (indexation losses and transitional relief) shall have effect in relation to an asset to which this section applies as if the sale and reacquisition occurred at the time of the claim and not at any earlier time.”
- (2) The amendment made by this paragraph shall have effect in relation to claims made on or after 6th April 1996.

*Settled Property*

- 5 (1) Section 72 of the Taxation of Chargeable Gains Act 1992 (termination of life interest on death of person entitled) shall be amended as follows.
- (2) In subsections (1), (2) and (5), for the words “a life” wherever they occur, there shall be substituted “an” and, in subsection (5), the word “life”, in the third place where it occurs, shall be omitted.
- (3) For subsections (3) and (4) there shall be substituted the following subsections:
- “(3) This section shall apply on the death of the person entitled to any annuity payable out of, or charged on, settled property or the income of settled property as it applies on the death of a person whose interest in possession in the whole or any part of settled property terminates on his death.
- (4) Where, in the case of any entitlement to an annuity created by a settlement some of the settled property is appropriated by the trustees as a fund out of which the annuity is payable, and there is no right of recourse to, or to the income of, settled property not so appropriated, then without prejudice to subsection (5) below, the settled property so appropriated shall, while the annuity is payable, and on the occasion of the death of the person entitled to the annuity, be treated for the purposes of this section as being settled property under a separate settlement.”

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*Status: This is the original version (as it was originally enacted).*

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- (4) The amendments made by this paragraph shall have effect in relation to deaths occurring on or after 6th April 1996.
- 6 (1) Section 73 of the Taxation of Chargeable Gains Act 1992 (death of life tenant: exclusion of chargeable gain) shall be amended as follows.
- (2) In subsection (1), for the words from “termination” to “that interest” there shall be substituted “death of a person entitled to an interest in possession in the settled property”.
- (3) In subsection (2), the word “life” shall be omitted.
- (4) In subsection (3), for the words from “subsection (5)” to “subsection (2) above” there shall be substituted “subsections (3) to (5) of that section shall apply for the purposes of this section”.
- (5) The amendments made by this paragraph shall have effect in relation to deaths occurring on or after 6th April 1996.

#### *Retirement Relief*

- 7 (1) Paragraph 14 of Schedule 6 to the Taxation of Chargeable Gains Act 1992 shall be amended as follows.
- (2) In subparagraph (2), the word “original” shall be inserted before “qualifying period”.
- (3) The following subparagraphs shall be inserted at the end:
- “(7) In relation to the expression “the original qualifying period”, the questions whether a disposal is a qualifying disposal and whether the period relating to that disposal is a qualifying period shall be determined without regard to the requirement that the length of the period be at least one year.
- (8) This paragraph shall not apply if the extended qualifying period resulting from the operation of subparagraphs (1) to (7) would be a period of less than one year.”
- (4) The amendments made by this paragraph shall have effect in relation to disposals made on or after 6th April 1996.

#### *Relief for loans to traders*

- 8 (1) Section 253 of the Taxation of Chargeable Gains Act 1992 (relief for loans to traders) shall be amended as follows.
- (2) In subsection (3):
- (a) for the words from the beginning until “is satisfied that” there shall be substituted “Where a person who has made a qualifying loan makes a claim and at that time”; and
- (b) for the words “when the claim was made” there shall be substituted “at the time of the claim or (subject to subsection (3A) below) any earlier time specified in the claim.”
- (3) The following subsection shall be inserted after subsection (3):

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*Status: This is the original version (as it was originally enacted).*

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“(3A) For the purposes of subsection (3) above, an earlier time may be specified in the claim if:

- (a) the amount to which that subsection applies was also irrecoverable at the earlier time; and either
- (b) for capital gains tax purposes the earlier time falls not more than two years before the beginning of the year of assessment in which the claim is made; or
- (c) for corporation tax purposes the earlier time falls on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.”

(4) In subsection (4) for the words from the beginning until “is satisfied that” there shall be substituted “Where a person who has guaranteed the repayment of a loan which is, or but for subsection (1)(c) above would be, a qualifying loan makes a claim and at that time”.

(5) The amendments made by this paragraph shall have effect in relation to claims made on or after 6th April 1996.

*Relief for debts on qualifying corporate bonds*

9 (1) Section 254 of the Taxation of Chargeable Gains Act 1992 (relief for debts on qualifying corporate bonds) shall be amended as follows.

(2) In subsection (2):

- (a) for the words from the beginning until “is satisfied that” there shall be substituted “Where a person who has made a qualifying loan makes a claim and at that time”; and
- (b) for the words “when the claim was made” there shall be substituted “at the time of the claim or (subject to subsection (8A) below) any earlier time specified in the claim”.

(3) In subsections (6) and (7), the words “the inspector is satisfied that” shall be omitted.

(4) In subsection (8), the words “in the inspector’s opinion” shall be omitted.

(5) The following subsection shall be inserted after subsection (8):

“(8A) For the purposes of subsection (2) above, an earlier time may be specified in the claim if:

- (a) the condition which was fulfilled at the time of the claim was also fulfilled at the earlier time; and either
- (b) for capital gains tax purposes the earlier time falls not more than two years before the beginning of the year of assessment in which the claim is made; or
- (c) for corporation tax purposes the earlier time falls on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.”

(6) In subsection (11), the words “the inspector was satisfied that”, “by the inspector” and “he was satisfied that” shall be omitted.

(7) The amendments made by this paragraph shall have effect in relation to claims made on or after 6th April 1996.