
Status: Point in time view as at 10/07/2003.

Changes to legislation: Finance Act 2003, SCHEDULE 39 is up to date with all changes known to be in force on or before 03 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 39

Section 182

RELEVANT DISCOUNTED SECURITIES: WITHDRAWAL OF RELIEF FOR COSTS AND LOSSES, ETC

Withdrawal of relief for incidental costs

- 1 (1) In Schedule 13 to the Finance Act 1996 (discounted securities: income tax provisions), paragraph 1 (charge to tax on realised profit comprised in discount) is amended as follows.
- (2) In sub-paragraph (2) (meaning of “realising the profit” from the discount on a relevant discounted security) at the end of paragraph (b) insert “ (no account being taken of any costs incurred in connection with the transfer or redemption of the security or its acquisition) ”.
- (3) In sub-paragraph (3)(a) (calculation of profit) omit “reduced by the amount of any relevant costs”.
- (4) Omit sub-paragraph (4) (meaning of “relevant costs”).

Withdrawal of relief for losses

- 2 Omit paragraph 2 of that Schedule (income tax relief for losses on discounted securities).

Withdrawal of loss relief: exception for strips of government securities

- 3 After paragraph 14 of that Schedule (gilt strips) insert—

“Strips of government securities: losses

- 14A (1) A person who sustains a loss in any year of assessment from the discount on a strip shall be entitled to relief from income tax on an amount of his income for that year equal to the amount of the loss.
- (2) The relief is due only if the person makes a claim before the end of twelve months from the 31st January following that year.
- (3) For the purposes of this paragraph a person sustains a loss from the discount on a strip where—
- he transfers the strip or becomes entitled, as the person holding it, to any payment on its redemption, and
 - the amount paid by him for the strip exceeds the amount payable on the transfer or redemption (no account being taken of any costs incurred in connection with the transfer or redemption of the strip or its acquisition).

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The loss shall be taken to be equal to the amount of the excess, and to be sustained in the year of assessment in which the transfer or redemption takes place.

- (4) In sub-paragraph (3) above the reference to a transfer in paragraph (a) includes a reference to a deemed transfer under paragraph 14(4) above (and paragraph (b) shall be read accordingly).
- (5) This paragraph does not apply in the case of—
- (a) any transfer of a strip for the time being held under a settlement the trustees of which are not resident in the United Kingdom, or
 - (b) any redemption of a strip which is so held immediately before its redemption.”.

Extension of provisions about strips to strips of foreign government securities

- 4 In the definition of “strip” in paragraph 15(1) of that Schedule, for “is a strip of a gilt-edged security” substitute “ is a strip of a security, or would be if that section had effect with the substitution in subsection (1B) of “issued by or on behalf of the government of any territory” for “issued under the National Loans Act 1968” ”.

Consequential amendments

- 5 (1) In paragraph 6 of that Schedule (trustees and personal representatives)—
- (a) in sub-paragraph (3) for “paragraphs 1(1) and 2(1) above do not apply” substitute “ paragraph 1(1) above does not apply ”;
 - (b) omit sub-paragraphs (4) to (6).
- (2) Omit the following provisions of that Schedule—
- (a) paragraph 7 (treatment of losses where income exempt);
 - (b) paragraph 9A (securities issued to connected person etc at price in excess of market value: transfer to connected person);
 - (c) paragraph 11 (accrued income scheme).
- (3) In paragraph 14 of that Schedule (gilt strips)—
- (a) for the heading substitute “ Strips of government securities ”;
 - (b) in sub-paragraphs (2) and (3), omit the words “gilt-edged”;
 - (c) in sub-paragraph (4), omit the words after paragraph (c).
- (4) In section 710(3) of the Taxes Act 1988 (categories of security not included in accrued income scheme) after paragraph (e) insert—
- “(f) any relevant discounted security within the meaning of Schedule 13 to the Finance Act 1996 (see paragraphs 3 and 14(1) of that Schedule).”.

Commencement and transitional provisions

- 6 (1) Subject to sub-paragraph (2)—
- (a) the amendments made by paragraphs 1 and 5(3)(c) apply in relation to costs incurred on or after 27th March 2003;

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- (b) the amendments made by paragraphs 2, 3 and 5(1), (2) and (4) apply in relation to any loss sustained from the discount on a relevant discounted security transferred or redeemed on or after that date;
 - (c) the amendments made by paragraphs 4 and 5(3)(a) and (b) apply in relation to any security acquired on or after that date.
- (2) The amendments mentioned in sub-paragraph (1)(a) and (b) do not apply in relation to costs incurred, or losses sustained, on the transfer or redemption of a relevant discounted security if—
- (a) the person transferring or redeeming the security held it continuously since a time before 27th March 2003, and
 - (b) the security was listed on a recognised stock exchange at any time before that date.
- (3) No losses may be carried forward under paragraph 6(6) of Schedule 13 to the Finance Act 1996 (c. 8) to any year of assessment after 2002-03.

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