

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

SCHEDULES

SCHEDULE 6 U.K.

Section 76

AVOIDANCE INVOLVING FINANCIAL ARRANGEMENTS

Repeal of rent factoring provisions

- 1 (1) Sections 43A to 43G of ICTA (rent factoring) shall cease to have effect.
- (2) The amendment made by this paragraph has effect in relation to transactions entered into on or after 6th June 2006.

Dividend stripping: subsequent sales etc of rights to receive dividends etc

- 2 (1) Section 730 of ICTA (transfers of rights to receive distributions in respect of shares) is amended as follows.
- (2) Omit subsection (3) (proceeds of subsequent sales etc of rights to receive distributions not to be regarded as income of the seller etc).
- (3) The amendment made by this paragraph has effect in relation to sales or other realisations on or after 20th January 2006.

Deemed interest: cash collateral under stock lending arrangements

- 3 (1) After section 736B of ICTA (deemed manufactured payments in the case of stock lending arrangements) insert—

“736C Deemed interest: cash collateral under stock lending arrangements

- (1) This section applies where—
 - (a) the borrower under a stock lending arrangement is treated under section 736B(2) as paying under that arrangement an amount representative of interest on any securities (“the relevant securities”),
 - (b) an amount of money (“cash collateral”) is payable to or for the benefit of the lender for the purpose of securing the discharge of the requirement to transfer the relevant securities back to the lender,
 - (c) the stock lending arrangement is designed to produce a return to the borrower which equates, in substance, to the return on an investment of money at interest, and
 - (d) the main purpose, or one of the main purposes, of the stock lending arrangement is the obtaining of a tax advantage.
- (2) Where this section applies—
 - (a) the Tax Acts are to apply as if the borrower receives an amount of interest payable in respect of the cash collateral, and

Status: Point in time view as at 19/07/2007.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)*

- (b) the amount of the interest is calculated in accordance with the following provisions of this section (see, in particular, subsections (3) to (7)).
- (3) The interest is treated for the purposes of the Tax Acts as if it were received on the date (“the return date”) on which the borrower transfers the relevant securities back to the lender.
- (4) The interest is treated for the purposes of the Tax Acts as if it were payable in respect of the period (“the interest period”)—
 - (a) beginning with the date on which the lender transfers the relevant securities to the borrower, and
 - (b) ending with the return date.
- (5) The rate of interest payable in respect of the cash collateral is a rate that is reasonably comparable to the rate that the borrower could obtain by placing the cash collateral on deposit for the interest period.
- (6) For the purposes of this section, the amount of the cash collateral on which the interest is payable is taken to be—
 - (a) in any case where the amount of the cash collateral varies at any time on or before the return date, the highest amount of the cash collateral at any time on or before the return date, and
 - (b) in any other case, the amount of the cash collateral as at the return date.
- (7) The amount of the interest which the borrower is treated as receiving in respect of the cash collateral for the interest period is reduced (but not below nil) by any interest which the borrower actually receives in respect of that collateral for that period.
- (8) If the borrower is a person within the charge to income tax, the interest which the borrower is treated as receiving is charged to income tax under Chapter 2 of Part 4 of ITTOIA 2005 (interest).
- (9) If the borrower is a company within the charge to corporation tax—
 - (a) the interest which the borrower is treated as receiving is treated for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships) as payable to it on a money debt,
 - (b) that money debt is treated for those purposes as a relationship to which section 100 of the Finance Act 1996 applies (money debts etc not arising from the lending of money), and
 - (c) the credits to be brought into account for those purposes in respect of the interest must be determined using an amortised cost basis of accounting.
- (10) The fact that the borrower is treated as receiving an amount of interest is not to be taken as implying that the interest is payable by the lender or any other person.
- (11) For the purposes of this section—
 - “money” includes money expressed in a currency other than sterling,

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

“stock lending arrangement” and “securities” have the same meanings as in section 263B of the 1992 Act,

“tax advantage” has the meaning given by section 709(1).

(12) For the purposes of this section—

- (a) any reference to the transfer of securities back has the same meaning as in section 263B of the 1992 Act (see, in particular, sections 263B(5) and 263C(1) of that Act), but
- (b) if it becomes apparent that the borrower will not comply with the requirement to transfer any securities back, the borrower is treated as if he transfers them back on the date on which it becomes so apparent.

(13) For the purposes of this section it does not matter—

- (a) whether the cash collateral is payable by the borrower or by any other person,
- (b) whether the cash collateral is payable under the stock lending arrangement or under any other arrangement,
- (c) whether collateral in another form is also provided in connection with the stock lending arrangement.”.

(2) Section 736C of ICTA has effect in relation to any stock lending arrangement made on or after 5th December 2005.

(3) In relation to any stock lending arrangement made on or after that date but before 22nd March 2006, that section has effect as if subsection (6) were omitted.

(4) If—

- (a) a stock lending arrangement was made before 5th December 2005 in respect of any securities (“the original securities”), and
- (b) on or after that date the lender under the stock lending arrangement transfers securities (“the substituted securities”) in substitution for some or all of the original securities,

section 736C of ICTA has effect as if that arrangement were made on the date of the substitution (and the substituted securities were the relevant securities).

Quasi-stock lending arrangements and quasi-cash collateral

4 (1) In section 736B of ICTA (deemed manufactured payments in the case of stock lending arrangements) at the end insert—

“(4) See section 736D for provision treating certain arrangements as stock lending arrangements for the purposes of this section.”.

(2) In section 736C of ICTA (deemed interest: cash collateral under stock lending arrangements), as inserted by paragraph 3 above, at the end insert—

“(14) See section 736D—

- (a) for provision treating certain arrangements as stock lending arrangements for the purposes of this section, and
- (b) for provision treating certain amounts as cash collateral for those purposes.”.

(3) After that section insert—

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

“736D Quasi-stock lending arrangements and quasi-cash collateral

- (1) In this section “quasi-stock lending arrangement” means so much of any arrangements between two or more persons as are not stock lending arrangements, but are arrangements under which—
- (a) a person (“the lender”) transfers securities to another person (“the borrower”), and
 - (b) a requirement is imposed on a person to transfer any or all of the securities, or any other property, back to the lender or any other person,
- and it does not matter whether the person on whom that requirement is imposed is the borrower or any other person.
- (2) In this section “quasi-cash collateral”, in relation to any stock lending arrangement or quasi-stock lending arrangement, means—
- (a) any money which is payable for a relevant purpose, plus
 - (b) any other property which is transferable for a relevant purpose.
- (3) Money or other property is payable or transferable for a relevant purpose if it is payable or transferable to or for the benefit of—
- (a) the lender under the stock lending arrangement or quasi-stock lending arrangement, or
 - (b) a person connected with that lender,
- for the purpose of securing the discharge of the requirement to transfer any or all of the securities, or any other property, back to that lender or any other person.
- (4) For the purposes of sections 736B and 736C, a quasi-stock lending arrangement is treated as if it were a stock lending arrangement.
- (5) For the purposes of section 736C, in relation to any stock lending arrangement or quasi-stock lending arrangement,—
- (a) quasi-cash collateral is treated as if it were cash collateral, and
 - (b) the amount of the quasi-cash collateral in relation to the stock lending arrangement or quasi-stock lending arrangement is taken to be the amount of the cash collateral.
- (6) If any property other than money is transferable for a relevant purpose, the amount of the quasi-cash collateral so far as relating to that property is determined by reference to its market value.
- (7) In any case where—
- (a) section 736C applies in relation to a quasi-stock lending arrangement, and
 - (b) the person for whom the tax advantage was designed to be obtained is a person (“the other person”) other than the borrower under that arrangement,
- that section has effect as if the other person were the person who receives the amount of interest mentioned in that section.
- (8) In any case where section 736C applies in relation to a quasi-stock lending arrangement—

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (a) any reference in that section to cash collateral being payable to or for the benefit of the lender includes its being payable to or for the benefit of a person connected with the lender,
 - (b) the reference in subsection (1)(c) of that section to a return to the borrower includes a return to any other person, and
 - (c) any reference in that section to the transfer back of the relevant securities by the borrower to the lender includes the transfer back of any or all of the securities, or any other property, by any person to the lender or any other person.
- (9) Section 839 (connected persons) applies for the purposes of this section.
- (10) In this section—
- “money” includes money expressed in a currency other than sterling,
 - “property” means property in any form,
 - “stock lending arrangement” and “securities” have the same meaning as in section 263B of the 1992 Act,
 - “transfer” means a transfer otherwise than by way of sale.”.
- (4) The amendments made by this paragraph have effect in relation to any arrangement made on or after 22nd March 2006.

Multiple holders of securities subject to sale and repurchase agreement: no relief for deemed manufactured payments

5 F1

Textual Amendments

F1 Sch. 6 para. 5 repealed (with effect in accordance with s. 47 of the amending Act) by Finance Act 2007 (c. 11), s. 114, {Sch. 27 Pt. 2(14) Note}

Structured finance arrangements: factoring of income receipts etc

- 6 (1) After section 774 of ICTA (transactions between dealing company and associated company) insert—

“Factoring of income receipts etc

774A Meaning of “structured finance arrangement” for purposes of s.774B

- (1) For the purposes of section 774B an arrangement is a structured finance arrangement in relation to a person (“the borrower”) if the following condition is met in relation to the borrower.
- (2) The condition is that—
 - (a) under the arrangement the borrower receives from another person (“the lender”) any money or other asset (“the advance”) in any period,

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (b) in accordance with generally accepted accounting practice the accounts of the borrower for that period record a financial liability in respect of the advance,
 - (c) the borrower, or a person connected with the borrower, makes a disposal of an asset (“the security”) under the arrangement to or for the benefit of the lender or a person connected with the lender,
 - (d) the lender, or a person connected with the lender, is entitled under the arrangement to payments in respect of the security, and
 - (e) in accordance with generally accepted accounting practice those payments reduce the amount of the financial liability in respect of the advance recorded in the accounts of the borrower.
- (3) For the purposes of this section, in any case where the borrower is a partnership, references to the accounts of the borrower include the accounts of any member of the partnership.
- (4) For the purposes of this section and section 774B—
- (a) references to a person connected with the borrower do not include the lender, and
 - (b) references to a person connected with the lender do not include the borrower.

774B Disregard of intended effects of arrangement involving disposals of assets

- (1) If—
- (a) an arrangement is a structured finance arrangement in relation to a person (“the borrower”), and
 - (b) the arrangement would (disregarding this section) have had the relevant effect (see subsections (2) and (3)),
- the arrangement is not to have that effect.
- (2) If the borrower is a person other than a partnership, the relevant effect is that—
- (a) an amount of income on which the borrower, or a person connected with the borrower, would otherwise have been charged to tax is not so charged,
 - (b) an amount which would otherwise have been brought into account in calculating for tax purposes any income of the borrower, or of a person connected with the borrower, is not so brought into account, or
 - (c) the borrower, or a person connected with the borrower, becomes entitled to an income deduction.
- (3) If the borrower is a partnership, the relevant effect is that—
- (a) an amount of income on which a member of the partnership would otherwise have been charged to tax is not so charged,
 - (b) an amount which would otherwise have been brought into account in calculating for tax purposes any income of a member of the partnership is not so brought into account, or
 - (c) a member of the partnership becomes entitled to an income deduction.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (4) If—
- (a) a person in relation to whom the structured finance arrangement would otherwise have had the relevant effect is a person within the charge to income tax, and
 - (b) in accordance with generally accepted accounting practice the accounts of the person record an amount as a finance charge in respect of the advance,
- that person may treat the amount for income tax purposes as interest payable on a loan.
- (5) If a person in relation to whom the structured finance arrangement would otherwise have had the relevant effect is a company within the charge to corporation tax—
- (a) the advance is to be treated, in relation to the company, for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 as a money debt owed by the company,
 - (b) the arrangement is to be treated, in relation to the company, for the purposes of that Chapter as a loan relationship of the company (as a debtor relationship), and
 - (c) any amount which, in accordance with generally accepted accounting practice, is recorded in the accounts of the company as a finance charge in respect of the advance is to be treated as interest payable under that relationship.
- (6) For the purposes of this section, in any case where the borrower is a partnership,—
- (a) references to accounts include the accounts of the partnership, and
 - (b) any deemed interest is treated as payable by the partnership (whether or not the finance charge is recorded in the accounts of the partnership).
- (7) For the purpose of determining when any deemed interest in respect of the advance is paid—
- (a) the payments mentioned in section 774A(2)(d) are treated as consisting of amounts for repaying the advance and amounts (“the interest elements”) in respect of interest on the advance, and
 - (b) the interest elements of those payments are treated as paid when those payments are paid,
- and the deemed interest in respect of the advance is treated as paid at the times when the interest elements are treated as paid.
- (8) In this section “deemed interest” means any amount which is treated as interest as a result of subsection (4) or (5).
- (9) This section is subject to the exceptions contained in section 774E.

774C Meaning of “structured finance arrangement” for purposes of s.774D

- (1) For the purposes of section 774D an arrangement is a structured finance arrangement in relation to a partnership (“the borrower partnership”) if condition A or B is met in relation to the borrower partnership.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (2) Condition A is that—
- (a) a person (“the transferor partner”) disposes of an asset (“the security”) under the arrangement to the borrower partnership,
 - (b) the transferor partner is a member of the borrower partnership immediately after the disposal (whether or not a member immediately before the disposal),
 - (c) under the arrangement the borrower partnership receives from another person (“the lender”) any money or other asset (“the advance”) in any period,
 - (d) in accordance with generally accepted accounting practice the accounts of the borrower partnership for that period record a financial liability in respect of the advance,
 - (e) there is a relevant change in relation to the membership of the borrower partnership involving the lender or a person connected with the lender (see subsection (6)),
 - (f) under the arrangement the share of the lender or person connected with the lender in the profits of the borrower partnership is determined by reference (wholly or partly) to payments in respect of the security, and
 - (g) in accordance with generally accepted accounting practice those payments reduce the amount of the financial liability in respect of the advance recorded in the accounts of the borrower partnership.
- (3) For the purposes of condition A, references to the accounts of the borrower partnership include the accounts of the transferor partner.
- (4) Condition B is that—
- (a) the borrower partnership holds an asset (“the security”) as a partnership asset at any time before the arrangement is made,
 - (b) under the arrangement the borrower partnership receives from another person (“the lender”) any money or other asset (“the advance”) in any period,
 - (c) in accordance with generally accepted accounting practice the accounts of the borrower partnership for that period record a financial liability in respect of the advance,
 - (d) there is a relevant change in relation to the membership of the borrower partnership involving the lender or a person connected with the lender,
 - (e) under the arrangement the share of the lender or person connected with the lender in the profits of the borrower partnership is determined by reference (wholly or partly) to payments in respect of the security, and
 - (f) in accordance with generally accepted accounting practice those payments reduce the amount of the financial liability in respect of the advance recorded in the accounts of the borrower partnership.
- (5) For the purposes of condition B, references to the accounts of the borrower partnership include the accounts of any person who is a member of the partnership immediately before the arrangement is made.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (6) For the purposes of this section and section 774D there is a relevant change in relation to the membership of the borrower partnership involving the lender or a person connected with the lender if directly or indirectly in consequence of, or otherwise in connection with, the arrangement—
- (a) the lender, or a person connected with the lender, becomes a member of the borrower partnership at any time, or
 - (b) there is at any time a change in the share of a member of the borrower partnership in the profits of the borrower partnership in a case where that member is the lender or a person connected with the lender.
- (7) For the purposes of subsection (6)(b) the reference to a person connected with the lender includes a person who at any time becomes connected with the lender directly or indirectly in consequence of, or otherwise in connection with, the arrangement.

774D Disregard of intended effects of arrangement involving change in relation to a partnership

- (1) This section applies if—
- (a) an arrangement is a structured finance arrangement in relation to a partnership (“the borrower partnership”), and
 - (b) any relevant change in relation to the membership of the borrower partnership involving the lender or a person connected with the lender would (disregarding this section) have had the following effect.
- (2) The effect is that—
- (a) an amount of income on which a relevant member of the borrower partnership would otherwise have been charged to tax is not so charged,
 - (b) an amount which would otherwise have been brought into account in calculating for tax purposes any income of a relevant member of the borrower partnership is not so brought into account, or
 - (c) a relevant member of the borrower partnership becomes entitled to an income deduction.
- (3) In this section “relevant member of the borrower partnership” means—
- (a) in any case where condition A in section 774C is met in relation to the arrangement, the transferor partner, and
 - (b) in any case where condition B in that section is met in relation to the arrangement, any person other than the lender who is a member of the borrower partnership immediately before the time at which the relevant change in relation to the membership of the borrower partnership involving the lender or a person connected with the lender occurs.
- (4) Part 9 of ITTOIA 2005 and section 114 above are to have effect in relation to any relevant member of the borrower partnership as if the relevant change in relation to the membership of the borrower partnership involving the lender or a person connected with the lender had not occurred.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

Accordingly, the structured finance arrangement is not to have the effect mentioned in subsection (2).

- (5) The following provisions of this section confer relief from tax the availability of which depends on which of the conditions in section 774C is met in relation to the arrangement.
- (6) In any case where condition A in section 774C is met, if—
- (a) the transferor partner is a person within the charge to income tax, and
 - (b) in accordance with generally accepted accounting practice the accounts of the borrower partnership record an amount as a finance charge in respect of the advance,
- the transferor partner may treat the amount for income tax purposes as interest payable by the transferor partner on a loan.
- (7) In any case where condition A in that section is met, if the transferor partner is a company within the charge to corporation tax—
- (a) the advance is to be treated, in relation to the company, for the purposes of paragraph 19 of Schedule 9 to the Finance Act 1996 (and the other provisions of Chapter 2 of Part 4 of that Act) as a money debt owed by the borrower partnership,
 - (b) the arrangement is to be treated, in relation to the company, as a transaction for the lending of money from which that debt is treated as arising for those purposes, and
 - (c) any amount which, in accordance with generally accepted accounting practice, is recorded in the accounts of the borrower partnership as a finance charge in respect of the advance is to be treated as interest payable by the company under that transaction.
- (8) For the purposes of subsections (6) and (7), references to the accounts of the borrower partnership include the accounts of the transferor partner.
- (9) In any case where condition B in section 774C is met, if—
- (a) a relevant member of the borrower partnership is a person within the charge to income tax, and
 - (b) in accordance with generally accepted accounting practice the accounts of the borrower partnership record an amount as a finance charge in respect of the advance,
- the relevant partner may treat the amount for income tax purposes as interest payable by the borrower partnership on a loan.
- (10) In any case where condition B in that section is met, if a relevant member of the borrower partnership is a company within the charge to corporation tax—
- (a) the advance is to be treated, in relation to the company, for the purposes of paragraph 19 of Schedule 9 to the Finance Act 1996 (and the other provisions of Chapter 2 of Part 4 of that Act) as a money debt owed by that partnership,
 - (b) the arrangement is to be treated, in relation to the company, as a transaction for the lending of money from which that debt is treated as arising for those purposes, and
 - (c) any amount which, in accordance with generally accepted accounting practice, is recorded in the accounts of the borrower

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

partnership as a finance charge in respect of the advance is to be treated as interest payable by the borrower partnership under that transaction.

- (11) For the purposes of subsections (9) and (10), references to the accounts of the borrower partnership include the accounts of any relevant member of the borrower partnership.
- (12) For the purpose of determining when any deemed interest in respect of the advance is paid—
 - (a) the payments mentioned in section 774C(2)(f) or (4)(e) are treated as consisting of amounts for repaying the advance and amounts (“the interest elements”) in respect of interest on the advance, and
 - (b) the interest elements of those payments are treated as paid when those payments are paid,and the deemed interest in respect of the advance is treated as paid at the times when the interest elements are treated as paid.
- (13) In this section “deemed interest” means any amount which is treated as interest as a result of any of subsections (6) to (10).
- (14) This section is subject to the exceptions contained in section 774E.

774E Sections 774B and 774D: exceptions

- (1) Section 774B or 774D does not apply if the whole of the advance under the structured finance arrangement—
 - (a) is charged to tax on a relevant person (see subsection (7)) as an amount of income,
 - (b) is brought into account in calculating for tax purposes any income of a relevant person, or
 - (c) is brought into account for the purposes of any provision of the Capital Allowances Act as a disposal receipt, or proceeds from a balancing event or disposal event, of a relevant person.

For the purposes of this subsection the effect of section 785A (rent factoring of leases of plant or machinery) is to be disregarded.

- (2) Subsection (1)(c) is not to be taken as met in any case where—
 - (a) the receipt or proceeds gives rise to a balancing charge, and
 - (b) the amount of the balancing charge is limited by any provision of the Capital Allowances Act.
- (3) Section 774B or 774D does not apply if, at all times, the whole of the advance under the structured finance arrangement—
 - (a) is a debtor relationship of a relevant person for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships), or
 - (b) would be a debtor relationship of a relevant person for those purposes if that person were a company within the charge to corporation tax.

For the purposes of this subsection references to a debtor relationship do not include a relationship to which section 100 of the Finance Act 1996 (money debts etc not arising from the lending of money) applies.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (4) Section 774B or 774D does not apply in so far as the structured finance arrangement is an arrangement in relation to which—
- (a) section 263A of the 1992 Act (agreements for sale and repurchase of securities) applies,
 - (b) paragraph 15 of Schedule 9 to the Finance Act 1996 (repo transactions and stock-lending) applies, or
 - (c) Chapter 5 of Part 2 of the Finance Act 2005 (alternative finance arrangements) has effect.
- (5) Section 774B or 774D does not apply in so far as—
- (a) the security under the structured finance arrangement is plant or machinery which is the subject of a sale and finance leaseback, or
 - (b) the structured finance arrangement is an arrangement in relation to which sections 228B to 228D of the Capital Allowances Act apply with the modifications contained in section 228F of that Act (lease and finance leaseback).
- (6) For the purposes of subsection (5)(a), whether plant or machinery is the subject of a sale and finance leaseback is determined in accordance with section 221 of the Capital Allowances Act.
- But, in applying that section, it is to be assumed that the words “and which are not a long funding lease in the case of the lessor” were omitted from section 219(1)(b) of that Act (meaning of “finance lease”).
- (7) For the purposes of this section a “relevant person” means—
- (a) if section 774B applies, a person in relation to whom the structured finance arrangement would (but for that section) otherwise have had the relevant effect (within the meaning of that section), and
 - (b) if section 774D applies, a relevant member of the borrower partnership (within the meaning of that section).

774F Sections 774B and 774D: power to provide further exceptions

- (1) The Treasury may make regulations prescribing other circumstances in which section 774B or 774D is not to apply in relation to a structured finance arrangement.
- (2) Any regulations under subsection (1) may make provision amending section 774E.
- (3) The power to make regulations under subsection (1) includes—
 - (a) power to make provision having effect in relation to times before the making of the regulations (but not times earlier than 6th June 2006),
 - (b) power to make different provision for different cases or different purposes, and
 - (c) power to make incidental, supplemental, consequential or transitional provision and savings.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

774G Sections 774A to 774D: minor definitions etc

- (1) For the purposes of sections 774A to 774D “arrangement” includes any agreement or understanding (whether or not legally enforceable).
 - (2) For the purposes of sections 774A to 774D “income deduction” means—
 - (a) a deduction in calculating any income for tax purposes, or
 - (b) a deduction against total income or total profits.
 - (3) For the purposes of sections 774A to 774D—
 - (a) references to a person's receiving any asset include the person's obtaining directly or indirectly the value of any asset or otherwise deriving directly or indirectly any benefit from it,
 - (b) references to a disposal of an asset include anything which constitutes a disposal of the asset for the purposes of the 1992 Act,
 - (c) references to payments in respect of any asset include obtaining directly or indirectly the value of any asset or otherwise deriving directly or indirectly any benefit from it.
 - (4) For the purposes of sections 774A to 774D, section 839 (connected persons) applies.
 - (5) For the purposes of sections 774A to 774D references to the accounts of any person who is a company include the consolidated group accounts of a group of companies of which it is a member.
 - (6) If any person does not draw up accounts in accordance with generally accepted accounting practice, sections 774A to 774D apply as if the accounts had been drawn up by the person in accordance with that practice.
 - (7) Sections 277 to 281 of ITTOIA 2005 and section 34 above (lease premiums) are not to apply in relation to a premium paid in respect of a grant of a lease where the grant constitutes a disposal of an asset for the purposes of section 774A(2)(c) or 774C(2)(a).”.
- (2) The amendment made by this paragraph has effect in relation to any arrangements whenever made (but see sub-paragraphs (3) and (4)).
 - (3) In relation to arrangements made before 6th June 2006, amounts are, as a result of the amendment made by this paragraph,—
 - (a) to be charged to tax, or
 - (b) to be brought into account in calculating any income for tax purposes or deducted from any income for tax purposes,only if the amounts arise on or after that date.
 - (4) The amendment made by this paragraph has no effect in relation to any arrangement made before that date in so far as section 43B or 43D of ICTA (rent factoring) applies to it.
 - (5) In any case where, in relation to arrangements made before that date, a person is treated, as a result of the amendment made by this paragraph, as being a party to any loan relationship—
 - (a) a period of account is to be treated for the purposes of Chapter 2 of Part 4 of FA 1996 as beginning on that date, and

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (b) the loan relationship is to be treated for those purposes as being entered into by the person for a consideration equal to the notional carrying value of the liability representing the relationship.
- (6) For this purpose, the notional carrying value is the amount that would have been the carrying value of the liability in the accounts of the person if a period of account had ended immediately before that date.
- (7) “Carrying value” has the same meaning here as it has for the purposes of paragraph 19A of Schedule 9 to FA 1996.

Rent factoring of leases of plant or machinery

- 7 (1) Section 785A of ICTA (rent factoring of leases of plant or machinery) is amended as follows.
- (2) After subsection (5) (provision about partnerships with legal personality) insert—
 - “(5A) This section does not apply in so far as section 774B or 774D (structured finance arrangements) applies in relation to the arrangements mentioned in paragraph (c) of subsection (1) above as a result of the transfer mentioned in that paragraph.”.

Transactions associated with loans or credit

- 8 (1) Section 786 of ICTA (transactions associated with loans or credit) is amended as follows.
- (2) After subsection (5) (transaction under which a person assigns, surrenders etc income arising from property) insert—
 - “(5ZA) But subsection (5) above does not apply if the person mentioned in that subsection is, as a result of section 774B or 774D (structured finance arrangements), chargeable to tax on the amount of income assigned, surrendered, waived or forgone.”.

Structured finance arrangements: chargeable gains treatment of acquisitions and disposals

- 9 (1) After section 263D of TCGA 1992 (gains accruing to persons paying manufactured dividends) insert—

“263E Structured finance arrangements

- (1) This section applies if—
 - (a) section 774B of the Taxes Act (disregard of intended effects of arrangement involving disposals of assets) applies in relation to a structured finance arrangement,
 - (b) the borrower or a person connected with the borrower makes a disposal of any security at any time under the arrangement to or for the benefit of the lender or a person connected with the lender, and
 - (c) condition A or B is met.
- (2) Condition A is that the person making the disposal subsequently acquires under the arrangement the asset disposed of by that disposal.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (3) Condition B is that—
- (a) the asset disposed of by that disposal subsequently ceases to exist at any time, and
 - (b) that asset was held by the lender, or a person connected with the lender, from the time of the disposal until that time.
- (4) The disposal of the security by the borrower or a person connected with the borrower is to be disregarded for the purposes of this Act.
- (5) Any subsequent acquisition by the person making the disposal of the asset disposed of by that disposal is to be disregarded for the purposes of this Act.
- (6) In this section—
- “the borrower”, in relation to a structured finance arrangement, means the person who is the borrower under the arrangement for the purposes of section 774A of the Taxes Act,
 - “the lender”, in relation to a structured finance arrangement, means the person who is the lender under the arrangement for the purposes of that section,
 - “security” means any such asset as is mentioned in subsection (2) (c) and (d) of that section.
- (7) For the purposes of this section—
- (a) references to a person connected with the borrower do not include the lender, and
 - (b) references to a person connected with the lender do not include the borrower.”.
- (2) The amendment made by this paragraph has effect in relation to disposals made on or after 6th June 2006.
- (3) The amendment made by this paragraph also has effect in relation to any disposal made by a person before that date if the person makes a claim to that effect under this sub-paragraph.

Loan relationships: mandatory convertibles

- 10 (1) Section 81 of FA 1996 (meaning of “loan relationship” etc) is amended as follows.
- (2) In subsection (2) (meaning of “money debt”)—
- (a) omit the “or” immediately before paragraph (b) (transfer of right to settlement under a money debt), and
 - (b) at the end of that paragraph insert “, or
 - (c) by the issue or transfer of any shares in any company,”.
- (3) The amendments made by this paragraph have effect in relation to relationships to which a company is a party on or after 22nd March 2006.
- (4) The following provisions of this paragraph apply for the purposes of TCGA 1992 if—
- (a) a company is a party to a relationship on 22nd March 2006,

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (b) the relationship becomes a loan relationship on that date for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of the amendments made by this paragraph,
 - (c) the relationship is a creditor relationship of the company, and
 - (d) immediately before that date the asset representing the relationship was a chargeable asset in relation to the company.
- (5) The company is treated as if—
- (a) it had made a disposal of the asset representing the relationship immediately before 22nd March 2006, and
 - (b) the disposal had been for a consideration equal to the fair value of the asset at that time (within the meaning given by section 103(1) of FA 1996).
- (6) Any chargeable gain or loss accruing to the company on the disposal is treated as accruing to the company when it ceases to be a party to the relationship.
- (7) For the purposes of this paragraph an asset is a chargeable asset in relation to the company at any time if any gain accruing to it on the disposal of the asset at that time would be a chargeable gain for the purposes of TCGA 1992.

Loan relationships: computation in accordance with generally accepted accounting practice

- 11 (1) Section 85A of FA 1996 (computation in accordance with generally accepted accounting practice) is amended as follows.
- (2) In subsection (1) (amounts to be brought into account are those recognised in determining company's profit or loss) after “Subject to the provisions of this Chapter” insert “ (including, in particular, section 84(1)) ”.

Loan relationships: amounts not fully recognised for accounting purposes

- 12 (1) After section 85B of FA 1996 (amounts recognised in determining company's profit or loss) insert—

“85C Amounts not fully recognised for accounting purposes

- (1) This section applies if—
- (a) a company is, or is treated as being, a party to a creditor relationship in any period,
 - (b) an amount is not fully recognised for the period in respect of the creditor relationship,
 - (c) the company is, or is treated as being, a party to a debtor relationship in the period or has at any time issued share capital which falls to be treated for accounting purposes as a liability (a “relevant accounting liability”) for the period,
 - (d) an amount is not fully recognised for the period in respect of the debtor relationship or relevant accounting liability, and
 - (e) the amounts are not fully recognised as mentioned in paragraphs (b) and (d) as a result of the application of generally accepted accounting practice in relation to the creditor relationship and the debtor relationship or relevant accounting liability.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (2) For the purposes of subsection (1) an amount is not fully recognised for the period in respect of any loan relationship or relevant accounting liability of the company if—
 - (a) no amount in respect of the relationship or liability is recognised in determining its profit or loss for the period, or
 - (b) an amount in respect of only part of the relationship or liability is recognised in determining its profit or loss for the period.
 - (3) In determining the credits and debits to be brought into account by the company in respect of the creditor relationship for the period for the purposes of this Chapter, the applicable assumption (see subsection (6)) must be made.
 - (4) In any case where the condition in subsection (1)(c) is met by reference to a debtor relationship of the company, in determining the credits and debits to be brought into account by the company in respect of that relationship for the period for the purposes of this Chapter, the applicable assumption must be made.
 - (5) But the amount of any debits to be brought into account by the company for any period for the purposes of this Chapter as a result of subsection (4) must not exceed the amount of any credits to be brought into account by the company for the period as a result of subsection (3).
 - (6) For the purposes of this section, in relation to any loan relationship, the applicable assumption is the assumption that an amount in respect of the whole of the relationship is recognised in determining the company's profit or loss for the period.
 - (7) In any case where—
 - (a) apart from this section any credits or debits are brought into account by the company in respect of any loan relationship for the period for the purposes of this Chapter, and
 - (b) the relationship is one to which this section applies,the credits and debits to be so brought into account as a result of this section must be determined on the same basis of accounting on which the credits or debits mentioned in paragraph (a) were determined.
 - (8) In any other case, the credits and debits to be so brought into account as a result of this section must be determined on the amortised cost basis of accounting.”.
- (2) The amendment made by this paragraph has effect in relation to periods of account ending on or after 22nd March 2006.
 - (3) But, in relation to a period of account beginning before 22nd March 2006, amounts are to be brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of that amendment only if the amounts relate to any time on or after that date.

Shares treated as loan relationships: shares subject to outstanding third party obligations

- 13 (1) Section 91A of FA 1996 (shares subject to outstanding third party obligations) is amended as follows.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (2) In subsection (1) (conditions for section to apply), in the opening words, for “a company if at any time in an accounting period” substitute “the times in a company's accounting period during which”.
- (3) In subsection (2) (how Chapter has effect for the accounting period) after “as if” insert “during those times”.
- (4) In subsection (5) (cases where a share is subject to outstanding third party obligations)—
- (a) in paragraph (a) (share is subject to obligations of description in subsection (6)) after “the share is subject to” insert “, or will or might under any relevant arrangements be subject to, ”, and
 - (b) in paragraph (b) (obligations of a person other than the investing company) after “the investing company” insert “or are obligations of the investing company which, under any relevant arrangements, will or might be discharged directly or indirectly by any other person”.
- (5) After that subsection insert—
- “(5A) For the purposes of subsection (5) above—
- (a) “arrangements” includes any agreement or understanding (whether or not legally enforceable),
 - (b) arrangements are “relevant” if they were entered into at any time on or before the share was issued.”.
- (6) The amendments made by sub-paragraphs (2) and (3) have effect in relation to accounting periods ending on or after 22nd March 2006.
- (7) The other amendments made by this paragraph have effect in relation to shares held by a company on or after 22nd March 2006.
- (8) But, in relation to an accounting period beginning before 22nd March 2006, amounts are to be brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of those other amendments only if the amounts relate to any time on or after that date.

Shares treated as loan relationships: application of rules to non-qualifying shares

- 14 (1) Section 91B of FA 1996 (non-qualifying shares) is amended as follows.
- (2) In subsection (1) (conditions for section to apply)—
- (a) in the opening words, for “a company if at any time in an accounting period” substitute “the times in a company's accounting period during which”, and
 - (b) in the words after paragraph (c), for “at no time in the accounting period does section 91A above apply” substitute “, during those times, section 91A above does not apply”.
- (3) In subsection (2) (how Chapter has effect for the accounting period) after “as if” insert “during those times”.
- (4) The amendments made by this paragraph have effect in relation to accounting periods ending on or after 22nd March 2006.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (5) But, in relation to an accounting period beginning before 22nd March 2006, amounts are to be brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of those amendments only if the amounts relate to any time on or after that date.

Shares treated as loan relationships: redeemable shares

- 15 (1) Section 91D of FA 1996 (condition 2 for section 91B(6)(b)) is amended as follows.
- (2) For subsection (2) (cases in which share regarded as redeemable) substitute—
- “(2) For the purposes of this section, a share is to be regarded as redeemable if (and only if)—
- (a) it is redeemable as a result of its terms of issue (or any collateral arrangements) requiring redemption, entitling the holder to require redemption or entitling the issuer to redeem, or
 - (b) there are arrangements which will or might entitle the investing company to qualifying redemption amounts.”
- (3) After that subsection insert—
- “(2A) For the purposes of subsection (2) above—
- “arrangements” includes any agreement or understanding (whether or not legally enforceable and whether or not forming part of the terms of issue of the share), and
 - “qualifying redemption amounts” means amounts which, when taken together, are the same, or are substantially the same, as an amount that might be payable on the redemption of the share.”
- (4) In subsection (7) (shares mirroring a public issue: Case 1), in paragraph (b) (associated companies issuing mirroring shares to company within 24 hours of its issuing shares), for “24 hours” substitute “ 7 days ”.
- (5) In subsection (8) (shares mirroring a public issue: Case 2), in paragraph (a) (second-level mirroring shares issued within 24 hours of the public issue), for “24 hours” substitute “ 7 days ”.
- (6) The amendments made by sub-paragraphs (2) and (3) have effect in relation to any share held by a company on or after 12th May 2006 in any case where—
- (a) the share is redeemable for the purposes of section 91D of FA 1996 as a result of any arrangements mentioned in subsection (2)(b) of that section (as substituted by sub-paragraph (2)), and
 - (b) the arrangements were entered into after the company acquired the share.
- (7) But in that case, in relation to an accounting period beginning before 12th May 2006, amounts are to be brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of those amendments only if the amounts relate to any time on or after that date.
- (8) In any other case, the amendments made by sub-paragraphs (2) and (3) have effect in relation to shares held by a company on or after 22nd March 2006.
- (9) But, in relation to an accounting period beginning before 22nd March 2006, amounts are to be brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of those amendments only if the amounts relate to any time on or after that date.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

- (10) The amendments made by sub-paragraphs (4) and (5) have effect in relation to any case where the public issue (within the meaning of section 91D(7) and (8) of FA 1996) is on or after 22nd March 2006.

Creditor relationships and benefit derived by connected persons

- 16 (1) After section 93B of FA 1996 insert—

“93C Creditor relationships and benefit derived by connected persons

- (1) This section applies in the case of any loan relationship which is a creditor relationship of a company (“company C”) if—
- (a) the return to company C from the relationship is less than a return (a “commercial return”) on an investment of money at a commercial rate of interest,
 - (b) another company (“company P”) that is connected with company C directly or indirectly derives any benefit as a result of any arrangements made in consequence of, or otherwise in connection with, the relationship, and
 - (c) that benefit is designed to represent some or all of the amount by which the return to company C from the relationship is less than a commercial return.
- (2) The credits to be brought into account by company C in respect of the relationship for the purposes of this Chapter must be determined on the basis of fair value accounting.
- (3) The fair value of company C's rights under the relationship must include the fair value of the benefit which is derived by company P as a result of the arrangements.
- (4) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of this section.
- (5) In this section—
- “arrangements” includes any agreement or understanding (whether or not legally enforceable);
- “benefit” includes value in any form.
- (6) In determining for the purposes of subsection (1)(a) the return to company C from the relationship, any benefit which company C derives directly or indirectly from the benefit derived by company P as mentioned in subsection (1)(b) is to be disregarded.”.
- (2) The amendment made by this paragraph has effect in relation to loan relationships to which a company is a party on or after 22nd March 2006.
- (3) But amounts are to be brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of that amendment only if the amounts relate to any time on or after that date.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

Loan relationships: money debts etc not arising from the lending of money

- 17 (1) Section 100 of FA 1996 (money debts etc not arising from the lending of money) is amended as follows.
- (2) In subsection (1A) (conditions mentioned in subsection (1)(c)(iv)) for paragraph (e) (property not an asset representing a loan relationship or derivative contract) substitute—
- “(e) if the money debt is some or all of the consideration payable for a disposal of property, the property in question is not an asset representing a loan relationship or a derivative contract the disposal of which is a relevant disposal.”.
- (3) After that subsection insert—
- “(1B) For the purposes of subsection (1A)(e) above “relevant disposal” means—
- (a) a disposal to which paragraph 12 of Schedule 9 applies or would apply but for sub-paragraph (2A) of that paragraph,
- (b) a disposal to which paragraph 28 of Schedule 26 to the Finance Act 2002 applies or would apply but for paragraph 30 of that Schedule,
- (c) a disposal not falling within paragraph (a) or (b) above as respects which the whole of the consideration is brought into account for the purposes of this Chapter or Schedule 26 to the Finance Act 2002.”.
- (4) The amendments made by this paragraph have effect in relation to disposals made on or after 22nd March 2006.

Loan relationships: meaning of “fair value” in Chapter 2 of Part 4 of FA 1996

- 18 (1) Section 103 of FA 1996 (interpretation of Chapter 2 of Part 4 of FA 1996) is amended as follows.
- (2) In subsection (1), in the definition of “fair value”, in paragraphs (a) and (b), omit “in respect of amounts which at that time are not yet due and payable”.
- (3) The amendment made by this paragraph has effect in relation to periods of account ending on or after 22nd March 2006.
- (4) But, in relation to a period of account beginning before 22nd March 2006, the amendment made by this paragraph has effect only in relation to—
- (a) disposals or acquisitions (in whole or in part) of rights or liabilities under a loan relationship, or
- (b) anything treated for the purposes of Chapter 2 of Part 4 of FA 1996 as such a disposal or acquisition,
- which were made (or treated as made) on or after that date.

Loan relationships: continuity of treatment of groups etc

- 19 (1) In Schedule 9 to FA 1996 (loan relationships: special computational provisions) paragraph 12 (continuity of treatment: groups etc) is amended as follows.
- (2) In sub-paragraph (2A) (paragraph 12 not to apply where transferor uses fair value accounting)—
- (a) in the opening words, for “uses” substitute “ is regarded for the purposes of this sub-paragraph as using ”, and

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

(b) for paragraph (aa) (treatment of transferee in respect of the transaction) substitute—

“(aa) for any accounting period in which it is a party to the relationship, the transferee company shall be treated for the purpose of determining the credits and debits to be brought into account for the purposes of this Chapter in respect of the relationship as if it had acquired the asset or liability representing the relationship for a consideration equal to the amount mentioned in paragraph (a) above (but on the assumption that sub-paragraph (2C)(b) below is omitted).”.

(3) After that sub-paragraph insert—

“(2B) The transferor company shall be regarded for the purposes of sub-paragraph (2A) above as using fair value accounting as respects the loan relationship only if—

- (a) it uses fair value accounting as respects the relationship and the debits and credits to be brought into account for the purposes of this Chapter as respects the relationship are also determined on that basis, or
- (b) it does not use fair value accounting as respects the relationship but the debits and credits to be brought into account for the purposes of this Chapter as respects the relationship are determined on that basis.”.

(4) After sub-paragraph (2B) (as inserted by sub-paragraph (3) above) insert—

“(2C) In any case where a discount (within the meaning given by section 100(3A)) arises in respect of the transaction, the series of transactions or the transfer—

- (a) the consideration for the purposes of sub-paragraph (2)(a) above is to be increased by the amount of the discount;
- (b) the amount to be brought into account by virtue of sub-paragraph (2A)(a)(i) above is to be increased by the amount of the discount.”.

(5) The amendments made by this paragraph have effect in any case where the relevant transaction is on or after 22nd March 2006.

(6) For this purpose “the relevant transaction” means—

- (a) the related transaction mentioned in paragraph 12(1)(a) of Schedule 9 to FA 1996,
 - (b) the first of the series of transactions mentioned in paragraph 12(1)(b) of that Schedule, or
 - (c) the transfer mentioned in paragraph 12(1)(c) or (d) of that Schedule,
- as a result of which paragraph 12 of that Schedule applies or, but for sub-paragraph (2A) of that paragraph, would apply.

Loan relationships: repo and stock-lending arrangements

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

Textual Amendments

- F2** Sch. 6 para. 20 repealed (with effect in accordance with s. 47 of the amending Act) by Finance Act 2007 (c. 11), s. 114, {Sch. 27 Pt. 2(14) Note}

Derivative contracts: computation in accordance with generally accepted accounting practice

- 21 (1) Paragraph 17A of Schedule 26 to FA 2002 (computation in accordance with generally accepted accounting practice) is amended as follows.
- (2) In sub-paragraph (1) (amounts to be brought into account are those recognised in determining company's profit or loss) after “Subject to the provisions of this Schedule” insert “ (including, in particular, paragraph 15(1)) ”.

Derivative contracts: transactions within groups

- 22 (1) In Schedule 26 to FA 2002 (derivative contracts), paragraph 28 (transactions within groups) is amended as follows.
- (2) After sub-paragraph (3) (rule for determining the credits and debits to be brought into account) insert—
- “(3ZA) In any case where a discount (within the meaning given by section 100(3A) of the Finance Act 1996) arises in respect of the transaction or the series of transactions, the consideration for the purposes of sub-paragraph (3)(a) is to be increased by the amount of the discount.”.
- (3) The amendment made by this paragraph has effect in any case where the relevant transaction is on or after 22nd March 2006.
- (4) For this purpose “the relevant transaction” means—
- (a) the related transaction mentioned in paragraph 28(2)(a) of Schedule 26 to FA 2002,
 - (b) the first of the series of transactions mentioned in paragraph 28(2)(b) of that Schedule, or
 - (c) the transfer mentioned in paragraph 28(2)(c) or (d) of that Schedule,
- as a result of which paragraph 28 of that Schedule applies or, but for paragraph 30 of that Schedule, would apply.

Derivative contracts: transactions within groups (fair value accounting)

- 23 (1) In Schedule 26 to FA 2002 (derivative contracts), paragraph 30 (transactions within groups: fair value accounting) is amended as follows.
- (2) In sub-paragraph (1) (paragraph 28 not to apply where transferor uses fair value accounting) for paragraph (b) (treatment of transferee in respect of the transaction) substitute—
- “(b) for any accounting period in which it is a party to the contract, the transferee company shall be treated for the purpose of determining the credits and debits to be brought into account for the purposes of this Schedule in respect of the contract as if it had acquired the contract for a consideration equal to the amount mentioned in

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6. (See end of Document for details)

paragraph (a) (but on the assumption that sub-paragraph (1A) is omitted).”.

(3) After that sub-paragraph insert—

“(1A) In any case where a discount (within the meaning given by section 100(3A) of the Finance Act 1996) arises in respect of the transaction or the series of transactions, the amount to be brought into account by virtue of sub-paragraph (1)(a) is to be increased by the amount of the discount.”.

(4) The amendments made by this paragraph have effect in any case where the relevant transaction is on or after 22nd March 2006.

(5) For this purpose “the relevant transaction” has the meaning given by paragraph 22.

Derivative contracts: meaning of “fair value” in Schedule 26 to FA 2002

24 (1) Paragraph 54 of Schedule 26 to FA 2002 (interpretation of Schedule) is amended as follows.

(2) In sub-paragraph (1), in the definition of “fair value”, in paragraphs (a) and (b), omit “in respect of amounts which at that time are not yet due and payable”.

(3) The amendment made by this paragraph has effect in relation to periods of account ending on or after 22nd March 2006.

(4) But, in relation to a period of account beginning before 22nd March 2006, the amendment made by this paragraph has effect only in relation to—

- (a) disposals or acquisitions (in whole or in part) of rights or liabilities under a derivative contract, or
- (b) anything treated for the purposes of Schedule 26 to FA 2002 as such a disposal or acquisition,

which were made (or treated as made) on or after that date.

Status:

Point in time view as at 19/07/2007.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2006, SCHEDULE 6.