

*Status: Point in time view as at 01/04/2009.*

*Changes to legislation: Finance Act 2007, SCHEDULE 13 is up to date with all changes known to be in force on or before 07 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 13

Section 47

#### SALE AND REPURCHASE OF SECURITIES

##### *Purpose of Schedule*

- 1 (1) The purpose of this Schedule is to secure that in the case of an arrangement—
- (a) which involves the sale of securities and the subsequent purchase of securities, and
  - (b) which equates, in substance, to a transaction for the lending of money at interest from or to a company (with the securities which were sold as collateral for the loan),
- the charge to corporation tax in that case [<sup>F1</sup>in respect of chargeable gains] reflects the fact that the arrangement equates, in substance, to such a transaction.
- (2) But this is not to be read as preventing the rules in this Schedule about corporation tax in respect of chargeable gains from having no effect in relation to debtor quasi-repos and creditor quasi-repos.

##### **Textual Amendments**

- F1** Words in Sch. 13 para. 1(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. 726(2)** (with Sch. 2 Pts. 1, 2)

##### **Commencement Information**

- II** Sch. 13 para. 1 in force at 1.10.2007 with effect in relation to an arrangement that comes into force on or after 1.10.2007 by [S.I. 2007/2483](#), **art. 2**

##### *Meaning of debtor repo*

<sup>F2</sup>2 .....

##### **Textual Amendments**

- F2** Sch. 13 paras. 2-5 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 726(3)**, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

##### *Meaning of debtor quasi-repo*

<sup>F2</sup>3 .....

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**Textual Amendments**

- F2** Sch. 13 paras. 2-5 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 726(3), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Ignoring effect on borrower of sale of securities: debtor repos, debtor quasi-repos and other arrangements*

**F24** .....

**Textual Amendments**

- F2** Sch. 13 paras. 2-5 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 726(3), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Relief for borrower for finance charges in respect of the advance: debtor repos and debtor quasi-repos*

**F25** .....

**Textual Amendments**

- F2** Sch. 13 paras. 2-5 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. 726(3), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Ignoring sale and subsequent purchase for purposes of chargeable gains: debtor repos*

- 6 (1) This paragraph applies if—
- (a) a company (“the borrower”) has a debtor repo, and
  - (b) the borrower (having sold the securities under the arrangement to the lender) is the only person with the right or obligation under the arrangement to buy those or similar securities at any subsequent time.
- (2) The sale of the securities, and the subsequent purchase of those or similar securities, by the borrower under the arrangement are to be ignored for the purposes of corporation tax in respect of chargeable gains (but see sub-paragraph (5)).
- (3) If at any time after the initial sale of the securities—
- (a) it becomes apparent that the borrower will not subsequently buy those or similar securities under the arrangement, or
  - (b) the accounting condition ceases to be met,
- the borrower is to be treated for the purposes of corporation tax in respect of chargeable gains as disposing of the securities at that time for a consideration equal to their market value at that time.
- (4) The accounting condition ceases to be met if, in accordance with generally accepted accounting practice, the accounts of the borrower for any period after the one in which the advance is received do not record a financial liability in respect of the advance (except as a result of the subsequent purchase of the securities or similar securities).

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- (5) If sub-paragraph (3) applies because the accounting condition ceases to be met, any subsequent purchase of those or similar securities by the borrower under the arrangement is not to be ignored for the purposes of corporation tax in respect of chargeable gains as a result of this paragraph.
- (6) For the purposes of this paragraph references to the borrower include a partnership of which the borrower is a member.

**Modifications etc. (not altering text)**

- C1** Sch. 13 para. 6 applied (with modifications) (with effect in accordance with reg. 1(1) of the amending S.I.) by [Sale and Repurchase of Securities \(Modification of Schedule 13 to the Finance Act 2007\) Regulations 2007 \(S.I. 2007/2485\)](#), [regs. 1\(1\), 2\(2\), 4\(1\)](#)

**Commencement Information**

- I2** Sch. 13 para. 6 in force at 1.10.2007 with effect in relation to an arrangement that comes into force on or after 1.10.2007 by [S.I. 2007/2483](#), [art. 2](#)

*Meaning of creditor repo*

F37 .....

**Textual Amendments**

- F3** Sch. 13 paras. 7-10 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. 726(3), [Sch. 3 Pt. 1](#) (with Sch. 2 Pts. 1, 2)

*Meaning of creditor quasi-repo*

F38 .....

**Textual Amendments**

- F3** Sch. 13 paras. 7-10 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. 726(3), [Sch. 3 Pt. 1](#) (with Sch. 2 Pts. 1, 2)

*Ignoring effect on lender of sale of securities: creditor repos and creditor quasi-repos*

F39 .....

**Textual Amendments**

- F3** Sch. 13 paras. 7-10 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. 726(3), [Sch. 3 Pt. 1](#) (with Sch. 2 Pts. 1, 2)

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*Charge on lender for finance return in respect of the  
 advance: creditor repos and creditor quasi-repos*

F3 10 .....

**Textual Amendments**

**F3** Sch. 13 paras. 7-10 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. 726(3), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Ignoring purchase and subsequent sale for purposes of chargeable gains: creditor repos*

- 11 (1) This paragraph applies if—
- (a) a company (“the lender”) has a creditor repo, and
  - (b) the lender (having bought the securities under the arrangement from the borrower) is the only person with the right or obligation under the arrangement to sell those or similar securities at any subsequent time.
- (2) The purchase of the securities, and the subsequent sale of those or similar securities, by the lender under the arrangement are to be ignored for the purposes of corporation tax in respect of chargeable gains (but see sub-paragraph (5)).
- (3) If at any time after the initial purchase of the securities—
- (a) it becomes apparent that the lender will not subsequently sell those or similar securities under the arrangement, or
  - (b) the accounting condition ceases to be met,
- the lender is to be treated for the purposes of corporation tax in respect of chargeable gains as acquiring the securities at that time for a consideration equal to their market value at that time.
- (4) The accounting condition ceases to be met if, in accordance with generally accepted accounting practice, the accounts of the lender for any period after the one in which the advance is made do not record a financial asset in respect of the advance (except as a result of the subsequent sale of the securities or similar securities).
- (5) If sub-paragraph (3) applies because the accounting condition ceases to be met, any subsequent sale of those or similar securities by the lender under the arrangement is not to be ignored for the purposes of corporation tax in respect of chargeable gains as a result of this paragraph.
- (6) For the purposes of this paragraph references to the lender include a partnership of which the lender is a member.

**Modifications etc. (not altering text)**

**C2** Sch. 13 para. 11 applied (with modifications) (with effect in accordance with reg. 1(1) of the amending S.I.) by *Sale and Repurchase of Securities (Modification of Schedule 13 to the Finance Act 2007) Regulations 2007 (S.I. 2007/2485)*, **regs. 1(1), 2(2), 4(2)**

**Commencement Information**

**I3** Sch. 13 para. 11 in force at 1.10.2007 with effect in relation to an arrangement that comes into force on or after 1.10.2007 by *S.I. 2007/2483*, **art. 2**

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*Repo under arrangement designed to produce quasi-interest: anti-avoidance*

F4 12 .....

**Textual Amendments**

**F4** Sch. 13 para. 12 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. 726\(3\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

*Requirements to deduct tax from manufactured payments: creditor repos and debtor repos*

- 13 (1) If a company has a creditor repo, Chapter 9 of Part 15 of ITA 2007 (deduction of income tax at source: manufactured payments) has effect in relation to the lender while the arrangement is in force as if—
- (a) the lender paid the borrower amounts which are representative of the income payable on the securities that are initially sold,
  - (b) the payments were made under requirements of the arrangement, and
  - (c) the payments were made on the dates on which the income is payable.
- (2) If a company has a debtor repo, the reverse charge provisions of Chapter 9 of Part 15 of ITA 2007 have effect in relation to the borrower while the arrangement is in force as if—
- (a) the lender paid the borrower amounts which are representative of the income payable on the securities that are initially sold,
  - (b) the payments were made under requirements of the arrangements, and
  - (c) the payments were made on the dates on which the income is payable.
- (3) If sub-paragraph (1) or (2) applies, any payment actually made under an arrangement which is representative of any income payable on any securities is to be treated for the purposes of Chapter 9 of Part 15 of ITA 2007 as if it had not been made.
- (4) In this paragraph “the reverse charge provisions of Chapter 9 of Part 15 of ITA 2007” means—
- (a) regulations under section 918(4) of ITA 2007 (manufactured dividends on UK shares (Real Estate Investment Trusts): the reverse charge),
  - (b) section 920 of that Act (foreign payers of manufactured interest: the reverse charge), and
  - (c) section 923 of that Act (foreign payers of manufactured overseas dividends: the reverse charge).

**Commencement Information**

**I4** Sch. 13 para. 13 in force at 1.10.2007 with effect in relation to an arrangement that comes into force on or after 1.10.2007 by [S.I. 2007/2483](#), [art. 2](#)

*Interpretation etc*

- 14 (1) In this Schedule—
- “arrangement” includes any agreement or understanding (whether or not legally enforceable),

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“creditor quasi-repo” has the meaning given by [<sup>F5</sup>section 544 of CTA 2009],

“creditor repo” has the meaning given by [<sup>F6</sup>section 543 of CTA 2009],

“debtor quasi-repo” has the meaning given by [<sup>F7</sup>section 549 of CTA 2009],

“debtor repo” has the meaning given by [<sup>F8</sup>section 548 of CTA 2009],

“discharge”, in relation to a liability, means the discharge of the liability in whole or in part (and “discharged” is to be read accordingly),

“the loan relationship rules” means the provisions of [<sup>F9</sup>Part 5 of CTA 2009],

“market value” has the same meaning as in TCGA 1992,

“overseas dividend”, in relation to overseas securities, means any interest, dividend or other annual payment payable in respect of the securities,

“overseas securities” means shares, stock or other securities issued by—

(a) a government or public or local authority of a territory outside the United Kingdom, or

(b) any other body of persons not resident in the United Kingdom,

“securities” (except in the definition of “overseas securities”) means shares, stock or other securities issued by—

(a) the government of the United Kingdom,

(b) any public or local authority in the United Kingdom, or

(c) any company or other body resident in the United Kingdom,

or overseas securities, and

“tax advantage” has the meaning given by section 840ZA of ICTA.

- (2) For the purposes of this Schedule 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.
- (3) For the purposes of this Schedule—
- (a) in any case where a person buys securities (or has a right or obligation to buy securities) but the securities are (or are to be) held for another person's benefit, that other person is treated as buying (or having the right or obligation to buy) the securities, and
- (b) in any case where a person sells securities but the proceeds of the sale are held for another person's benefit, that other person is treated as selling the securities.
- (4) For the purposes of this Schedule securities are similar if they entitle their holders to—
- (a) the same rights against the same persons as to capital, interest and dividends, and
- (b) the same remedies for the enforcement of those rights,
- in spite of any difference in the total nominal amounts of the respective securities or in the form in which they are held or the manner in which they can be transferred.
- (5) For the purposes of this Schedule it does not matter whether or not provision of any arrangement conferring a right or imposing an obligation on any person to buy any securities is subject to any conditions.

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- (6) For the purposes of this Schedule an arrangement is in force from the time when the securities are initially sold until the earlier of—
- (a) the time when the relevant repurchase takes place, and
  - (b) the time when it becomes apparent that that repurchase will not take place.
- (7) For this purpose “the relevant repurchase” means—
- (a) in the case of a debtor repo, the subsequent buying of the securities or similar securities,
  - (b) in the case of a debtor quasi-repo, the subsequent buying of the securities or other securities by the borrower, the receipt of the asset from the borrower or (as the case may be) the discharge of the liability to the borrower,
  - (c) in the case of a creditor repo, the subsequent sale of the securities or similar securities, and
  - (d) in the case of a creditor quasi-repo, the subsequent sale of the securities or other securities by the lender, the receipt of the asset from the lender or (as the case may be) the discharge of the liability to the lender.
- (8) Any reference in this Schedule to an amount being recognised in determining a company's profit or loss for a period is to an amount being recognised for accounting purposes—
- (a) in the company's profit and loss account or income statement,
  - (b) in the company's statement of recognised gains and losses or statement of changes in equity, or
  - (c) in any other statement of items brought into account in calculating the company's profits and losses for that period.
- (9) In determining for the purposes of this Schedule whether an amount is recorded as a financial asset or liability in respect of the advance it is to be assumed that the period of account in which the advance is received or made ended immediately after the receipt or making of the advance.
- (10) For the purposes of paragraphs 6(4) and 11(4)—
- (a) any period of account in which the advance is received or made is treated as if it ended immediately after the receipt or making of the advance, and
  - (b) a new period of account is treated as beginning immediately after the end of that period.
- (11) If any person does not draw up accounts in accordance with generally accepted accounting practice, this Schedule applies as if the accounts had been drawn up by the person in accordance with that practice.

#### Textual Amendments

- F5** Words in Sch. 13 para. 14 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. 726\(4\)\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F6** Words in Sch. 13 para. 14 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. 726\(4\)\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F7** Words in Sch. 13 para. 14 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. 726\(4\)\(c\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F8** Words in Sch. 13 para. 14 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. 726\(4\)\(d\)](#) (with [Sch. 2 Pts. 1, 2](#))

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- F9** Words in Sch. 13 para. 14 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. 726\(4\)\(e\)](#) (with Sch. 2 Pts. 1, 2)

**Modifications etc. (not altering text)**

- C3** Sch. 13 para. 14(6) applied (30.8.2007) by [Finance Act 2007 \(Schedules 13 and 14\) Order 2007 \(S.I. 2007/2483\)](#), [art. 6](#)
- C4** Sch. 13 para. 14(6) applied (with effect in accordance with reg. 1(1) of the amending S.I.) by [Sale and Repurchase of Securities \(Modification of Schedule 13 to the Finance Act 2007\) Regulations 2007 \(S.I. 2007/2485\)](#), reg. 1(1)(2)

**Commencement Information**

- I5** Sch. 13 para. 14 in force at 1.10.2007 with effect in relation to an arrangement that comes into force on or after 1.10.2007 by [S.I. 2007/2483](#), [art. 2](#)

*Power to modify Schedule*

- 15 (1) The Treasury may by regulations provide for all or any of the provisions of this Schedule to apply with modifications in relation to either or both of the following cases—
- (a) non-standard repo cases (see sub-paragraphs (2) to (5)), and
  - (b) cases involving redemption arrangements (see sub-paragraph (6)).
- (2) A case is a non-standard repo case if—
- (a) a company has a repo,
  - (b) there has been a sale of the securities under the arrangement or arrangements by reference to which the company has the repo, and
  - (c) any of conditions A to C are met in relation to the repo.
- (3) Condition A is that those securities, or similar or other securities, are not subsequently bought under the arrangement or arrangements.
- (4) Condition B is that provision is made by or under an arrangement for different or additional securities to be treated as, or as included with, securities which, for the purposes of the subsequent purchase, are to represent those initially sold.
- (5) Condition C is that provision is made by or under an arrangement for securities to be treated as not so included.
- (6) A case involves redemption arrangements if—
- (a) arrangements, corresponding to those made in cases where a company has a repo, are made in relation to securities that are to be redeemed in the period after their sale, and
  - (b) the arrangements are such that a person (instead of having the right or obligation to buy those securities, or similar or other securities, at any subsequent time) has a right or obligation in respect of the benefits that will result from the redemption.
- (7) The regulations may—
- (a) make different provision for different cases, and
  - (b) contain incidental, supplemental, consequential and transitional provision and savings.



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- (8) Regulations about paragraph 6 or 11 may, in particular, include modifications of TCGA 1992 in relation to cases where, as a result of the regulations, any acquisition or disposal is excluded from those which are to be ignored for the purposes of corporation tax in respect of chargeable gains.
- (9) In this paragraph—
- “modifications” include exceptions and omissions, and
  - “repo” means—
    - (a) a debtor repo or debtor quasi-repo, or
    - (b) a creditor repo or creditor quasi-repo (including anything treated, as a result of [<sup>F10</sup>section 547 of CTA 2009], as a creditor repo for the purposes of [<sup>F10</sup>section 546 of that Act]).

#### **Textual Amendments**

- F10** Words in Sch. 13 para. 15(9)(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. 726\(5\)](#) (with [Sch. 2 Pts. 1, 2](#))

#### **Commencement Information**

- I6** Sch. 13 para. 15 in force at 1.10.2007 with effect in relation to an arrangement that comes into force on or after 1.10.2007 by [S.I. 2007/2483](#), [art. 2](#)

**Status:**

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