

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: Finance Act 2007, Cross Heading: Income and Corporation Taxes Act 1988 (c. 1) is up to date with all changes known to be in force on or before 15 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 14

#### SALE AND REPURCHASE OF SECURITIES: MINOR AND CONSEQUENTIAL AMENDMENTS

##### *Income and Corporation Taxes Act 1988 (c. 1)*

- 1 ICTA is amended as follows.
- 2 (1) Section 231AA (no tax credit for borrower under stock lending arrangement or interim holder under repurchase agreement) is amended as follows.
  - (2) In subsection (1)—
    - (a) for “the interim holder under a repurchase agreement” substitute “ the lender under a creditor repo or creditor quasi-repo ”, and
    - (b) for “or agreement” (in both places) substitute “ or repo in question ”.
  - (3) For subsection (3) substitute—

“(3) In this section creditor repo and “creditor quasi-repo” have the meaning given by Schedule 13 to the Finance Act 2007.”
  - (4) In subsection (4), omit “or 737A(5)”.
  - (5) After that subsection insert—

“(5) For the purposes of this section a person is taken to have paid a manufactured dividend representative of a distribution in respect of securities to which a creditor repo relates if (as a result of paragraph 13(1) of Schedule 13 to the Finance Act 2007) the person is treated for the purposes of Chapter 9 of Part 15 of ITA 2007 as making a payment which is representative of the income payable on the securities.”
- 3 (1) Section 231AB (no tax credit for original owner under repurchase agreement in respect of certain manufactured dividends) is amended as follows.
  - (2) In subsection (1), for paragraphs (a) to (c) substitute—
    - “(a) the person is the borrower under a debtor repo or debtor quasi-repo;
    - (b) the qualifying distribution is a manufactured dividend paid to the borrower in consequence of that repo; and
    - (c) the arrangement or arrangements in relation to that repo are not such that the actual dividend which the manufactured dividend represents is receivable otherwise than by the borrower under that repo.”
  - (3) For subsection (2) substitute—

“(2) In this section “debtor repo” and “debtor quasi-repo” have the meaning given by Schedule 13 to the Finance Act 2007.”

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- 4 Omit sections 730A and 730B (treatment of price differential on sale and repurchase of securities).
- 5 Omit section 730BB (exchange gains and losses on sale and repurchase of securities).
- 6 (1) Section 731 (purchase and sale of securities: application and interpretation of sections 732 to 734) is amended as follows.
- (2) In subsection (2A)—
- (a) omit “section 737A(5) below or”, and
- (b) after “2007” insert “ or paragraph 13(1) of Schedule 13 to the Finance Act 2007 ”.
- (3) For subsection (2F) substitute—
- “(2F) For the purposes of subsections (2B) to (2E) above—
- (a) agreements are related if they are entered into in pursuance of the same arrangement (regardless of the date on which either agreement is entered into); and
- (b) references to buying back securities include buying similar securities even if the securities bought have not previously been held by the purchaser (and references in those subsections to repurchase are to be construed accordingly).
- (2G) For the purposes of subsection (2F) above 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.”
- 7 Omit sections 737A to 737C (sale and repurchase of securities: deemed manufactured payments).
- 8 Omit section 737E (power to modify sections 730A, 730BB and 737A to 737C).
- 9 In section 774E(4) (exceptions to sections 774B and 774D), for paragraph (b) (together with the “or” at the end of it) substitute—
- “(b) Schedule 13 to the Finance Act 2007 (sale and repurchase of securities) applies, or”.
- 10 In section 807A (disposals and acquisitions of company loan relationships with or without interest), for subsection (6A) substitute—
- “(6A) In this section “repo or stock-lending arrangements” means—
- (a) a debtor repo within the meaning of paragraph 2 of Schedule 13 to the Finance Act 2007, or
- (b) a stock lending arrangement within the meaning of section 263B of the 1992 Act.
- (6B) In any case where a debtor repo within the meaning of that paragraph constitutes the repo or stock-lending arrangements—

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- (a) a reference in this section, in relation to those arrangements, to the initial transfer is to the sale mentioned in condition C of that paragraph; and
  - (b) a reference in this section, in relation to those arrangements, to the period for which they have effect is to the period from the making of the initial transfer until the earlier of the time when the subsequent purchase mentioned in condition D of that paragraph takes place and the time when it becomes apparent that that subsequent purchase will not take place.
- (6C) In any case where a stock lending arrangement within the meaning of section 263B of the 1992 Act constitutes the repo or stock-lending arrangements—
- (a) a reference in this section, in relation to those arrangements, to the initial transfer is to the transfer mentioned in subsection (1)(a) of that section; and
  - (b) a reference in this section, in relation to those arrangements, to the period for which they have effect is to the period from the making of the initial transfer until the earlier of the time when the transfer mentioned in subsection (1)(b) of that section takes place and the time when it becomes apparent that that transfer will not take place.”

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