# S C H E D U L E S

## SCHEDULE 5

### AVOIDANCE INVOLVING FINANCIAL ARRANGEMENTS

*Derivative contracts: transfers of value to connected companies*

19    (1) Paragraph 26 of Schedule 26 to FA 2002 (transfers of value to connected companies) is amended as follows.

(2) In sub-paragraph (1)(a) (transfer of value between connected companies as a result of expiry of option), for "the expiry of an option of a company which, until its expiry," substitute "the failure to exercise in full all the rights under an option of a company which, until that failure,".

(3) In sub-paragraph (2) (rules for determining whether there is a transfer of value)—

    (a)    in paragraph (a), for "the option would not have expired" substitute "all the rights under the option would have been exercised in full", and

    (b)    in paragraph (b), for "it would have been exercised on the date on which it expired" substitute "all those rights would have been exercised in full on the latest date on which they were exercisable".

(4) In sub-paragraph (3) (transferor to bring into account amount in respect of the option), for "the expiry of the option" substitute "an option".

(5) In sub-paragraph (4) (period in which amount is to be brought into account and the amount to be brought into account)—

    (a)    in paragraph (a), after "the option expired" insert "or would have expired if none of the rights under it had been exercised", and

    (b)    for paragraph (b) substitute—

        "(b)    the appropriate amount—

            (i) if the option expired, is the amount (if any) paid by the transferor to the transferee for the grant of the option by the transferee, and

            (ii) if any rights under the option were exercised (in whole or in part), is the amount (if any) so paid less so much of it as is referrable, on a just and reasonable basis, to the rights which have been so exercised."

(6) The amendments made by this paragraph have effect in relation to any failure on or after 6th March 2007 to exercise in full all the rights under an option.