

---

STATUTORY INSTRUMENTS

---

**2005 No. 2082**

The Finance Act 2002, Schedule 26, Parts  
2 and 9 (Amendment No. 2) Order 2005

**Amendment of Part 9 of Schedule 26 to the Finance Act 2002**

**18.**—(1) Amend paragraph 45J(1) as follows.

(2) In sub-paragraph (3)(a) for “14(3) (non-trading)” substitute “14(2) and (3) (trading and non-trading)”.

(3) For sub-paragraph (4) substitute—

“(4) If the company was a party to the debtor relationship immediately before its first accounting period to begin on or after 1st January 2005—

- (a) sub-paragraphs (5) and (9) do not apply, but
- (b) where sub-paragraph (7) applies, E shall be taken to be nil and an allowable loss of an amount equal to F shall accordingly be treated as accruing to the company in the accounting period there mentioned.”.

(4) For sub-paragraph (5) substitute—

“(4A) Sub-paragraph (5) applies if—

- (a) the option mentioned in sub-paragraph (1)(c) is exercised at any time in an accounting period, and
- (b) shares are issued or transferred in fulfilment of the obligations under the option (the “relevant disposal”).

(5) Where this sub-paragraph applies—

- (a) section 144(2) of the Taxation of Chargeable Gains Act 1992 (exercise of options) applies to the relevant disposal as if the amount treated in accordance with section 94A(2) of the Finance Act 1996 as the carrying value of the option at the time the company became party to the loan relationship (the “initial carrying value”) was the consideration for the grant of the option;
- (b) to the extent that it would otherwise apply, section 17(1) of the Taxation of Chargeable Gains Act 1992 (deemed market value consideration) does not apply to the relevant disposal.”.

(5) In sub-paragraph (8)—

(a) in the definition of E, for “carrying amount” substitute “carrying value”; and

(b) for the definition of F substitute—

“F is—

- (a) the amount paid in fulfilment of the obligations under the option, unless paragraph (b) applies, or

---

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

---

- (b) where a single amount is paid in fulfilment of the obligations under the debtor relationship, the part of the amount which falls to be treated for accounting purposes as the amount relating to the option.”.
- (6) For sub-paragraph (9) substitute—
- “(9) This sub-paragraph applies if the company ceases to be a party to the debtor relationship at a time when the option mentioned in sub-paragraph (1)(c) has not been exercised, and where it applies the company is treated for the purposes of corporation tax on chargeable gains—
- (a) as having acquired the option for a consideration equal to so much of any amount paid by the company in consideration for it ceasing to be a party to the debtor relationship as falls to be treated for accounting purposes as the amount relating to the option, and
  - (b) as having disposed of the option for a consideration equal to the initial carrying value.”.