



Finance Act 1985

1985 CHAPTER 54

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER IV

SECURITIES

The accrued income scheme

73 Deemed sums and reliefs on transfers

- (1) This section applies where securities are transferred on or after 28th February 1986; and references to a period are to the interest period in which the settlement day falls.
- (2) If they are transferred with accrued interest—
 - (a) the transferor shall be treated as entitled to a sum on them in the period of an amount equal to the accrued amount, and
 - (b) the transferee shall be treated as entitled to relief on them in the period of the same amount.
- (3) If they are transferred without accrued interest—
 - (a) the transferor shall be treated as entitled to relief on them in the period of an amount equal to the rebate amount, and
 - (b) the transferee shall be treated as entitled to a sum on them in the period of the same amount.
- (4) In subsection (2) above " the accrued amount " means—
 - (a) if the securities are transferred under an arrangement by virtue of which the transferee accounts to the transferor separately for the consideration for the securities and for gross interest accruing to the settlement day, an amount equal to the amount (if any) of gross interest so accounted for. and

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- (b) in any other case, an amount equal to the accrued proportion of the interest applicable to the securities for the period.
- (5) In subsection (3) above " the rebate amount " means—
- (a) if the securities are transferred under an arrangement by virtue of which the transferor accounts to the transferee for gross interest accruing from the settlement day to the next interest payment day, an amount equal to the amount (if any) of gross interest so accounted for, and
- (b) in any other case, an amount equal to the rebate proportion of the interest applicable to the securities for the period.
- (6) The accrued proportion is—
- $$\frac{A}{B}$$
- (7) The rebate proportion is—
- $$\frac{B-A}{B}$$
- (8) In this section—
- A is the number of days in the period up to (and including) the settlement day, and
- B is the number of days in the period.

74 Treatment of deemed sums and reliefs

- (1) Subsection (2) below applies if a person is treated as entitled under section 73 above to a sum on securities of a particular kind in an interest period, and either—
- (a) he is not treated as entitled under that section to relief on securities of that kind in the period, or
- (b) the sum (or total sum) to which he is treated as entitled exceeds the amount (or total amount) of relief to which he is treated as entitled under that section on securities of that kind in the period.
- (2) The person shall be treated as receiving on the day the period ends annual profits or gains whose amount is (depending on whether subsection (1)(a) or il)(b) above applies) equal to the sum (or total sum) to which he is treated as entitled or equal to the amount of the excess; and the profits or gains shall be chargeable to tax under Case VI of Schedule D for the chargeable period in which they are treated as received.
- (3) Subsection (4) below applies if a person is treated as entitled under section 73 above to relief on securities of a particular kind in an interest period, and either—
- (a) he is not treated as entitled under that section to a sum on securities of that kind in the period, or
- (b) the amount (or total amount) of relief to which he is treated as entitled exceeds the sum (or total sum) to which he is treated as entitled under that section on securities of that kind in the period.

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- (4) The person shall be entitled to an allowance whose amount is (depending on whether subsection (3)(a) or (3)(b) above applies) equal to the amount (or total amount) of relief to which he is treated as entitled or equal to the amount of the excess; and subsection (5) or (6) below shall apply.
- (5) Any amount to which the person is entitled by way of interest which falls due on the securities at the end of the interest period, and is taken into account in computing tax charged for the chargeable period in which the interest period ends, shall for the purposes of the Tax Acts be treated as reduced by the amount of the allowance.
- (6) But if the period is one which does not end with an interest payment day, the person shall be treated as becoming, in the next interest period, entitled under section 73 above to relief on the securities of an amount equal to the amount of the allowance.
- (7) Where but for this subsection a company would by virtue of subsection (2) above be treated as receiving profits or gains on a day which does not fall within an accounting period of the company, the profits or gains shall instead be treated as received by the company on the latest day of the interest period which does so fall.

75 Exceptions from preceding provisions

- (1) Section 73 (2) (a) or (3) (a) above (as the case may be) does not apply if—
 - (a) the transferor carries on a trade and the transfer falls to be taken into account for the purposes of the Tax Acts in computing the profits or losses of that trade,
 - (b) the transferor is an individual and on no day in the year of assessment in which the interest period ends or the previous year of assessment the nominal value of securities held by him exceeded £5,000,
 - (c) the securities transferred form part of the estate of a deceased person, the transferor is his personal representative and on no day in the year of assessment in which the interest period ends or the previous year of assessment the nominal value of securities held by him as the deceased's personal representative exceeded £5,000,
 - (d) the securities transferred are held on a disabled person's trusts, the transferor is trustee of the settlement and on no day in the year of assessment in which the interest period ends or the previous year of assessment the nominal value of securities held by him as trustee of the settlement exceeded £5,000,
 - (e) the transferor does not fulfil the residence requirement for the chargeable period in which the transfer is made and is not a non-resident United Kingdom trader in that period,
 - (f) the transferor is not ordinarily resident in the United Kingdom during the chargeable period in which the transfer occurs and, if he became entitled in the period to any interest on the securities transferred, it would not be liable to income tax by virtue of section 99 of the Taxes Act (securities free of income tax for residents abroad),
 - (g) the securities transferred are FOTRA securities, the transferor is not domiciled in the United Kingdom at any time in the chargeable period in which the transfer occurs, and he is either not ordinarily resident in the United Kingdom during that period or a non-resident United Kingdom trader in that period, or
 - (h) the transferor is an individual who, if he became entitled in the year of assessment in which the transfer occurs to any interest on the securities transferred, would be liable, in respect of the interest, to tax chargeable under

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Case IV or Case V of Schedule D and computed on the amount of sums received in the United Kingdom.

- (2) Section 73(2)(b) or (3)(b) above (as the case may be) does not apply if—
- (a) the transferee carries on a trade, and if at the time he acquired the securities he were to transfer them that transfer would fall to be taken into account for the purposes of the Tax Acts in computing the profits or losses of that trade, or
 - (b) subsection (1)(b), (c), (d), (e), (f), (g) or (h) above would apply if " transferor " read " transferee ".
- (3) For the purposes of this section a person fulfils the residence requirement for a chargeable period if he is resident in the United Kingdom during any part of the period or is ordinarily resident in the United Kingdom during the period.
- (4) For the purposes of this section a person is a non-resident United Kingdom trader in a chargeable period if during any part of it he is (though neither resident during any part of it nor ordinarily resident during it) carrying on a trade in the United Kingdom through a branch or agency and the securities transferred—
- (a) were situated in the United Kingdom and used or held for the purposes of the branch or agency at or before the time of the transfer (where the person concerned is a transferor), or
 - (b) were so situated at the time of the transfer and were acquired for use by or for the purposes of the branch or agency (where the person concerned is a transferee),
- but the provisions in this subsection relating to the situation of the securities in the United Kingdom do not apply where the person concerned is a company.
- (5) For the purposes of this section " disabled person's trusts " means trusts falling within paragraph 5(1) of Schedule 1 to the Capital Gains Tax Act 1979, " branch or agency " has the meaning given by section 12(3) of that Act, and the place where securities are situated shall be determined in accordance with section 18(4) of that Act.
- (6) For the purposes of this section " FOTRA securities " means securities issued with the condition mentioned in section 22(1) of the Finance (No. 2) Act 1931 (securities free of tax for residents abroad) as modified by virtue of section 60(1) of the Finance Act 1940.

Deemed interest on certain securities

76 Deemed interest

Schedule 22 to this Act (which relates to securities held between certain dates) shall have effect.

Further provisions

77 Further provisions

Schedule 23 to this Act (which contains provisions relating to interpretation and other matters) shall have effect.