

Status: Point in time view as at 01/02/1991.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1985, Part III. (See end of Document for details)

SCHEDULES

SCHEDULE 19

INDEXATION

PART III

POOLING OF OTHER SECURITIES

Modifications etc. (not altering text)

- C1** [S.I. 1986 No. 1948](#) (Personal Equity Plan Regulations) (in Part III Vol. 5) regn. 32(2)—Part III to apply for the purposes of PEF regulations with a substituted para. 8(2).

- 8 (1) In this Part of this Schedule—
- (a) “the principal Act” means the Capital Gains Tax Act 1979;
 - (b) “the 1982 Act” means the Finance Act 1982; and
 - (c) “relevant allowable expenditure” has the meaning assigned to it be subsection (2)(b) and (3) of section 86 of the 1982 Act .
- (2) This Part of this Schedule shall apply separately in relation to any securities held by a person to whom they were issued as an employee of the company or of any other person on terms which restrict his rights to dispose of them, so long as those terms are in force, and, while applying separately to any such securities, this Part of this Schedule shall have effect as if the owner held them in a capacity other than that in which he holds any other securities of the same class .
- (3) Nothing in this Part of this Schedule shall be taken as affecting the manner in which the market value of any securities is to be ascertained.

Modifications etc. (not altering text)

- C2** [Finance Act 1988 \(c. 39, SIF63:1, 2\), s. 113](#)—sub-paragraphs (b) and (c) not to apply to certain disposals of building society and industrial and provident society shares made on or 4 July 1987. [Finance Act 1990 \(c. 29, SIF 63:1, 2\), s. 54](#)—paras. 1(3), 2, 5, 7(3), 8(1)(b) and (c), 11 to 15, 18, 22 and 23 not to apply to certain building society shares etc. held by collective investment schemes and disposed of on or after 20 March 1990.
- C3** [S.I. 1989 No.469](#) (in Part III Vol. 5) for modification of para. 8(2) in relation to pooling of personal equity plan investments.

- 9 (1) Any number of securities of the same class which—

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- (a) were held by the same person in the same capacity immediately before the 1985 date, and
- (b) were acquired on or after 6th April 1982 or, in the case of a company, 1st April 1982,

shall for the purposes of the principal Act be regarded as indistinguishable parts of a single asset growing or diminishing on the occasions on which additional securities of the same class are acquired or some of the securities of that class are disposed of.

- (2) Any number of securities of the same class which—
 - (a) are acquired by the same person in the same capacity on or after the 1985 date, and
 - (b) do not form part of a single asset by virtue of sub-paragraph (1) above.

shall for the purposes of the principal Act be regarded as indistinguishable parts of a single asset growing or diminishing on the occasions on which additional securities of the same class are acquired or some of the securities of that class are disposed of.

- (3) A holding of securities which, by virtue of sub-paragraph (1) or sub-paragraph (2) above, is to be regarded as a single asset is in this Part of this Schedule referred to as a “new holding”.

Modifications etc. (not altering text)

- C4** Definition applied for purposes of 1988 s. 440A(6) and 1990 Sch. 6 para. 12(10)—appointment of income of life assurance companies.

- 10 Without prejudice to the generality of paragraph 9 above, a disposal of securities in a new holding, other than a disposal of the whole of it, is a disposal of part of an asset and the provisions of the principal Act relating to the computation of a gain accruing on a disposal of part of an asset shall apply accordingly.
- 11 (1) In relation to a disposal of a new holding, the following provisions of this Part of this Schedule have effect in place of the provisions of section 87 of the 1982 Act for the purpose of computing the indexation allowance.
 - (2) On any disposal of a new holding, other than a disposal of the whole of it,—
 - (a) the qualifying expenditure and the indexed pool of expenditure shall each be apportioned between the part disposed of and the remainder in the same proportions as, under the principal Act, the relevant allowable expenditure is apportioned; and
 - (b) the indexation allowance is the amount by which the portion of the indexed pool which is attributed to the part disposed of exceeds the portion of the qualifying expenditure which is attributed to that part.
 - (3) On a disposal of the whole of a new holding, the indexation allowance is the amount by which the indexed pool of expenditure at the time of the disposal exceeds the qualifying expenditure at that time .

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Modifications etc. (not altering text)

- C5** Finance Act 1988 (c. 39, SIF63:1, 2), s. 113—paragraphs 11 to 15 not to apply to certain disposals of building society and industrial and provident society shares on or after 4 July 1987. Finance Act 1990 (c. 29, SIF 63:1, 2), s. 54—paras. 1(3), 2, 5, 7(3), 8(1)(b) and (c), 11 to 15, 18, 22 and 23 not to apply to certain building society shares etc. held by collective investment schemes and disposed of on or after 20 March 1990.

- 12 In relation to a new holding, the qualifying expenditure is at any time the amount which would be the aggregate of the relevant allowable expenditure in relation to a disposal of the whole of the holding occurring at that time .

Modifications etc. (not altering text)

- C6** Finance Act 1988 (c. 39, SIF63:1, 2), s. 113—paragraphs 11 to 15 not to apply to certain disposals of building society and industrial and provident society shares on or after 4 July 1987. Finance Act 1990 (c. 29, SIF 63:1, 2), s. 54—paras. 1(3), 2, 5, 7(3), 8(1)(b) and (c), 11 to 15, 18, 22 and 23 not to apply to certain building society shares etc. held by collective investment schemes and disposed of on or after 20 March 1990.

- 13 (1) The provisions of this paragraph have effect, subject to paragraph 15 below, for determining, in relation to a new holding, the indexed pool of expenditure at any time.
- (2) In the case of a new holding falling within paragraph 9 (1) above, the indexed pool of expenditure shall come into being immediately before the 1985 date and shall at that time consist of the aggregate of—
- (a) the qualifying expenditure at that time; and
 - (b) any indexation allowance which, in accordance with section 87 of the 1982 Act, would have applied to a disposal at that time of all of the securities comprised in the holding, on the assumption that the amendments made by paragraphs 1 and 2 above had always had effect.
- (3) In the case of any other new holding, the indexed pool of expenditure shall come into being at the time that the holding comes into being or, if it is earlier, when any of the qualifying expenditure is incurred and shall at the time it comes into being be the same as the qualifying expenditure at that time.
- (4) Any reference in the following provisions of this Part of this Schedule to an operative event is a reference to any event (whether a disposal or otherwise) which has the effect of reducing or increasing the qualifying expenditure referable to the new holding.
- (5) Whenever an operative event occurs,—
- (a) there shall be added to the indexed pool of expenditure the indexed rise, as calculated under paragraph 14 below, in the value of the pool since the last operative event or, if there has been no previous operative event, since the pool came into being; and

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- (b) if the operative event results in an increase in the qualifying expenditure then, in addition to any increase under paragraph (a) above, the same increase shall be made to the indexed pool of expenditure; and
 - (c) if the operative event is a disposal resulting in a reduction in the qualifying expenditure, the indexed pool of expenditure shall be reduced in the same proportion as the qualifying expenditure is reduced; and
 - (d) if the operative event results in a reduction in the qualifying expenditure but is not a disposal, the same reduction shall be made to the indexed pool of expenditure.
- (6) Where the operative event is a disposal—
- (a) any addition under paragraph (a) of sub-paragraph (5) above shall be made before the calculation of the indexation allowance under paragraph 11 above; and
 - (b) the reduction under paragraph (c) of that sub-paragraph shall be made after that calculation .

Modifications etc. (not altering text)

C7 Finance Act 1988 (c. 39, SIF63:1, 2), s. 113—paragraphs 11 to 15 not to apply to certain disposals of building society and industrial and provident society shares on or after 4 July 1987. Finance Act 1990 (c. 29, SIF 63:1, 2), s. 54—paras. 1(3), 2, 5, 7(3), 8(1)(b) and (c), 11 to 15, 18, 22 and 23 not to apply to certain building society shares etc. held by collective investment schemes and disposed of on or after 20 March 1990.

- 14 (1) At the time of any operative event, the indexed rise in the indexed pool of expenditure is a sum produced by multiplying the value of the pool immediately before the event by a figure expressed as a decimal and determined, subject to sub-paragraph (2) below, by the formula—

$$\frac{RE-RL}{RL}$$

where—

RE is the retail prices index for the month in which the operative event occurs ;
and

RL is the retail price index for the month in which occurred the immediately preceding operative event or, if there has been no such event, in which the indexed pool of expenditure came into being.

- (2) If RE, as defined in sub-paragraph (1) above, is equal to or less than RL, as so defined, the indexed rise is nil .

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Modifications etc. (not altering text)

- C8** Finance Act 1988 (c. 39, SIF63:1, 2), s. 113—paragraphs 11 to 15 not to apply to certain disposals of building society and industrial and provident society shares on or after 4 July 1987. Finance Act 1990 (c. 29, SIF 63:1, 2), s. 54—paras. 1(3), 2, 5, 7(3), 8(1)(b) and (c), 11 to 15, 18, 22 and 23 not to apply to certain building society shares etc. held by collective investment schemes and disposed of on or after 20 March 1990.

Consideration for options

- 15 (1) If, in a case where sub-paragraph (5)(b) of paragraph 13 above applies, the increase in the qualifying expenditure is, in whole or in part, attributable to the cost of acquiring an option binding the grantor to sell (in this paragraph referred to as “the option consideration”), then, in addition to any increase under paragraph (a) or paragraph (b) of sub-paragraph (5) of paragraph 13 above, the indexed pool of expenditure shall be increased by an amount equal to the indexed rise in the option consideration, as determined under sub-paragraph (2) below.
- (2) The indexed rise in the option consideration is a sum produced by multiplying the consideration by a figure expressed as a decimal and determined, subject to sub-paragraph (3) below, by the formula—

$$\frac{RO-RA}{RA}$$

Where—

RO is the retail prices index for the month in which falls the date on which the option is exercised ; and

RA is the retail prices index for the month in which falls the date in which the option was acquired or, if it is later, March 1982.

- (3) If RO, as defined in sub-paragraph (2) above, is equal to or less than RA, as so defined, the indexed rise is nil .

Modifications etc. (not altering text)

- C9** Finance Act 1988 (c. 39, SIF63:1, 2), s. 113—paragraphs 11 to 15 not to apply to certain disposals of building society and industrial and provident society shares on or after 4 July 1987. Finance Act 1990 (c. 29, SIF 63:1, 2), s. 54—paras. 1(3), 2, 5, 7(3), 8(1)(b) and (c), 11 to 15, 18, 22 and 23 not to apply to certain building society shares etc. held by collective investment schemes and disposed of on or after 20 March 1990.

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