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SCHEDULES

SCHEDULE 5

COMPANIES' CHARGEABLE GAINS: TRANSITIONAL PROVISIONS

PART I

GENERAL RULES

Interpretation.

- 1 In this Part of this Schedule—
- (a) a “straddling period” means an accounting period of a company which begins before and ends on or after the 1987 date;
 - (b) “the principal section” means section 74 of this Act;
 - (c) “the 1987 date” means 17th March 1987;
 - (d) references to “section 85”, “section 93” and “section 95” are references to those sections of the Finance Act 1972.

Chargeable gains comprised in profits.

- 2 (1) It shall be assumed for the purposes of this paragraph that the straddling period of the company consists of two separate accounting periods—
- (a) the first beginning at the beginning of the straddling period and ending immediately before the 1987 date; and
 - (b) the second beginning on the 1987 date and ending at the end of the straddling period.
- (2) In this Part of this Schedule those two notional accounting periods are referred to as “component periods”.
- (3) A separate computation shall be made under section 265 of the Taxes Act (computation of company’s chargeable gains) for each of the component periods and, by virtue of subsection (3) of the principal section, only the amount (if any) computed for the first component period shall be reduced under section 93.
- (4) If, in accordance with sub-paragraph (3) above,—
- (a) a positive amount is computed for the first component period, and
 - (b) the amount computed for the second component period is nil,
- any excess for the second component period of allowable losses over chargeable gains shall be treated for the purposes of this paragraph as an allowable loss of the first component period and the amount originally computed for that period shall be recalculated accordingly.
- (5) The amount which is to be included in respect of chargeable gains in the company’s total profits for the straddling period—

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- (a) shall be the sum of the amounts computed as mentioned above for the two component periods; and
 - (b) shall not itself be subject to any reduction under section 93.
- (6) The preceding provisions of this paragraph have effect in place of any provision of section 93 under which the amount to be included in respect of chargeable gains in the company's total profits for the straddling period would fall to be apportioned between different parts of that period.

Advance corporation tax and liability of small companies.

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- (1) This paragraph has effect to determine for the purposes of section 85 the income of the company charged to corporation tax for the straddling period and, accordingly (by virtue of subsection (8) of section 95), the income of the company for that period for the purposes of section 95.
 - (2) For the straddling period, subsection (6) of section 85 (meaning of the income of the company charged to tax for any period) shall have effect as if—
 - (a) the reference to the part of the profits attributable to chargeable gains were a reference only to the part of the profits attributable to chargeable gains of the first component period; and
 - (b) the reference to the amount brought into the company's profits for that period for the purposes of corporation tax in respect of chargeable gains were a reference to the amount computed for the first component period under paragraph 2(3) above.
 - (3) As it applies to the straddling period, the reference in subsection (8) of section 95 to subsection (6) of section 85 shall be construed as a reference to that subsection as it has effect by virtue of sub-paragraph (2) above.

Other references to the income of a company charged to corporation tax.

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- For the straddling period, any reference in any enactment, other than sections 85 and 95, to subsection (6) of section 85 shall be construed as a reference to that subsection as it has effect by virtue of paragraph 3(2) above.