



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER III

UNIT TRUST SCHEMES, DEALERS IN SECURITIES ETC.

Unit trust schemes

468 Authorised unit trusts.

(1) ^{M1}In respect of income arising to the trustees of an authorised unit trust, and for the purposes of the provisions relating to relief for capital expenditure, the Tax Acts shall have effect as if—

- (a) the trustees were a company resident in the United Kingdom; and
- (b) the rights of the unit holders were shares in the company;

^{F1}but paragraph (b) above is without prejudice to the making of distributions which are interest distributions (within the meaning of section 468L) to unit holders]

^{F2}(1A) In relation to any authorised unit trust the rate of corporation tax for the financial year 1996 and subsequent financial years shall be deemed to be the rate at which income tax at the lower rate is charged for the year of assessment which begins on 6th April in the financial year concerned ^{F3}and sections 13 and 13AA shall not apply.]

(2) ^{F4}.....

(3) References in the Corporation Tax Acts to a body corporate shall be construed in accordance with ^{F5}subsection (1) above], and section ^{F6}[234A] shall apply with any necessary modifications.

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- (4) Section 75 shall apply in relation to an authorised unit trust whether or not it is an investment company within the meaning of section 130; and sums periodically appropriated for managers' remuneration shall be treated for the purposes of section 75 as sums disbursed as expenses of management.
- (5) Subsection (1) above shall not apply in relation to an authorised unit trust under the terms of which the funds of the trust cannot be invested in such a way that income can arise to the trustees which will be chargeable to tax in the hands of the trustees otherwise than—
- (a) under Schedule C as profits arising from United Kingdom public revenue dividends, or
 - (b) under Case III of Schedule D;
- and in this subsection “United Kingdom public revenue dividends” means public revenue dividends payable in the United Kingdom (whether they are also payable outside the United Kingdom or not) out of the public revenue of the United Kingdom.
- (6) [^{F7} Subject to subsections (7) to (9) below] in this section—
- “authorised unit trust” means, as respects an accounting period, a unit trust scheme in the case of which an order under section [^{F8} 243 of the Financial Services and Markets Act 2000] is in force during the whole or part of that accounting period;
- ^{F9}
- “unit holder” means a person entitled to a share of the investments subject to the trusts of a unit trust scheme; and
- “unit trust scheme” has the same meaning as in section 469.
- [^{F10}(7) Each of the parts of an umbrella scheme shall be regarded for the purposes of this Chapter as an authorised unit trust and the scheme as a whole shall not be so regarded.
- (8) In this section, “umbrella scheme” means a unit trust scheme—
- (a) which provides arrangements for separate pooling of the contributions of the participants and the profits or income out of which payments are to be made to them;
 - (b) under which the participants are entitled to exchange rights in one pool for rights in another; and
 - (c) in the case of which an order under section [^{F8}243 of the Financial Services and Markets Act 2000] is in force;
- and any reference to a part of an umbrella scheme is a reference to such of the arrangements as relate to a separate pool.
- (9) In relation to a part of an umbrella scheme, any reference—
- (a) to investments subject to the trusts of an authorised unit trust, shall have effect as a reference to such of the investments as under the arrangements form part of the separate pool to which the part of the umbrella scheme relates; and
 - (b) to a unit holder, shall have effect as a reference to a person for the time being having rights in that separate pool.]

Textual Amendments

- F1** Words in s. 468(1) inserted (with effect in accordance with Sch. 14 para. 7 of the amending Act) by Finance Act 1994 (c. 9), Sch. 14 para. 3(2)

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- F2** S. 468(1A) inserted (with effect in accordance with Sch. 6 paras. 10(2), 28 of the amending Act) by Finance Act 1996 (c. 8), **Sch. 6 para. 10(1)**
- F3** Words in s. 468(1A) inserted (with effect in accordance with s. 28(6) of the amending Act) by Finance Act 1999 (c. 16), **s. 28(3)**
- F4** S. 468(2) repealed (with effect in accordance with Sch. 14 para. 7 of the repealing Act) by Finance Act 1994 (c. 9), Sch. 14 para. 3(3), **Sch. 25 Pt. 5(13)**, Note
- F5** Words in s. 468(3) substituted (with effect in accordance with Sch. 14 para. 7 of the amending Act) by Finance Act 1994 (c. 9), **Sch. 14 para. 3(4)**
- F6** Words in s. 468(3) substituted (16.7.1992) by Finance (No. 2) Act 1992 (c. 48), **s. 32(3)(4)**
- F7** Words in s. 468(6) inserted (with effect in accordance with s. 113(4)-(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 113(1)**
- F8** Words in s. 468(6)(8) substituted (1.12.2001) by Financial Services and Markets Act 2000 (c. 8), s. 431(2), **Sch. 20 para. 4(3)**; S.I. 2001/3538, **art. 2(1)**
- F9** S. 468(6): definition of "distribution period" repealed (with effect in accordance with Sch. 14 para. 7 of the repealing Act) by Finance Act 1994 (c. 9), Sch. 14 para. 3(5), **Sch. 26 Pt. 5(13)**, Note
- F10** S. 468(7)-(9) added (with effect in accordance with s. 113(4)-(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 113(2)**

Modifications etc. (not altering text)

- C1** S. 468 modified (28.4.1997) by The Open-ended Investment Companies (Tax) Regulations 1997 (S.I. 1997/1154), regs. 1, 9, 10 (as amended (1.12.2001) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629), **art. 166**)
- C2** *See—1989 s.80—subs.(5)not to apply to gilt unit trusts.1990 ss.52(2), (3)and 132and Sch.19 Part IV—subs.(5)not to apply as regards a distribution period beginning after 31December 1990.And see 1990 s.52(3), (4)for assessment of trustees' income under Case III Sch.Dfor the last distribution period.*
- C3** *Definition employed for the purposes of s.46(7)—insurance companies: annual deemed disposal of holdings of unit trusts etc.*

Marginal Citations

- M1** Source—1970 ss.354, 358; 1980 s.60; 1987 s.38, 40(1); 1987 (No.2) s.40(1)

[^{F11}468AAuthorised unit trusts: futures and options.

^{F12}]

Textual Amendments

- F11** S. 468AA inserted by Finance Act 1990 (c. 29), **s. 81(1)(5)**
- F12** S. 468AA repealed (with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), Sch. 27 para. 6, **Sch. 40 Pt. 3(13)**, Note (with Sch. 28)

[^{F13}468ACertified unit trusts.

^{F14}]

Textual Amendments

- F13** Ss. 468A-468C inserted by Finance Act 1989 (c. 26), **s. 78**
- F14** Ss. 468A-468D repealed by Finance Act 1990 (c. 29), s. 52, **Sch. 19 Pt. 4**, Note 7

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^{F15}468B Certified unit trusts: corporation tax.

F16

Textual Amendments

F15 Ss. 468A-468C inserted by Finance Act 1989 (c. 26), s. 78

F16 Ss. 468A-468D repealed by Finance Act 1990 (c. 29), s. 52, Sch. 19 Pt. 4, Note 7

^{F17}468C Certified unit trusts: distributions.

F18

Textual Amendments

F17 Ss. 468A-468C inserted by Finance Act 1989 (c. 26), s. 78

F18 Ss. 468A-468D repealed by Finance Act 1990 (c. 29), s. 52, Sch. 19 Pt. 4, Note 7

[^{F19}468D Funds of funds: distributions.

F20]

Textual Amendments

F19 S. 468D inserted by Finance Act 1989 (c. 26), s. 79

F20 Ss. 468A-468D repealed by Finance Act 1990 (c. 29), s. 52, Sch. 19 Pt. 4, Note 7

[^{F21}468E Authorised unit trusts: corporation tax.

F22]

Textual Amendments

F21 Ss. 468E-468G inserted by Finance Act 1990 (c. 29), s. 51

F22 S. 468E repealed (with effect in accordance with Sch. 6 paras. 10(3), 28 of the repealing Act) by Finance Act 1996 (c. 8), Sch. 41 Pt. 5(1), Note 1

[^{F23}468EE Corporation tax: cases where lower rate applies.

F24]

Textual Amendments

F23 S. 468EE inserted (3.5.1994) by Finance Act 1994 (c. 9), s. 111(2)

F24 S. 468EE repealed (with effect in accordance with Sch. 6 paras. 10(3), 28 of the repealing Act) by Finance Act 1996 (c. 8), Sch. 41 Pt. 5(1), Note 1

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F25 468F Authorised unit trusts: distributions.

F26

Textual Amendments

F25 Ss. 468E-468G inserted by Finance Act 1990 (c. 29), s. 51

F26 S. 468F repealed (with effect in accordance with Sch. 14 para. 7 of the repealing Act) by Finance Act 1994 (c. 9), Sch. 14 para. 4, Sch. 26 Pt. 5(13), Note

F27 468G Dividends paid to investment trusts.

F28

Textual Amendments

F27 Ss. 468E-468G inserted by Finance Act 1990 (c. 29), s. 51

F28 S. 468G repealed (with effect in accordance with Sch. 14 para. 7 of the repealing Act) by Finance Act 1994 (c. 9), Sch. 14 para. 4, Sch. 26 Pt. 5(13), Note

[F29 Distributions of authorised unit trusts: general

Textual Amendments

F29 Ss. 468H-468R and cross-headings inserted (with effect in accordance with Sch. 14 para. 7 of the amending Act) by Finance Act 1994 (c. 9), Sch. 14 para. 2

468H Interpretation.

- (1) This section has effect for the interpretation of sections 468I to 468R.
- (2) The making of a distribution by an authorised unit trust to a unit holder includes investing an amount on behalf of the unit holder in respect of his accumulation units.
- (3) In relation to an authorised unit trust—
 - (a) “distribution period” means a period by reference to which the total amount available for distribution to unit holders is ascertained; and
 - (b) “distribution accounts” means accounts showing how that total amount is computed.
- (4) The distribution date for a distribution period of an authorised unit trust is—
 - (a) the date specified by or in accordance with the terms of the trust for any distribution for that distribution period; or
 - (b) if no date is so specified, the last day of that distribution period.
- (5) ^{F30}
- (6) Sections 468I [^{F31}to 468Q] do not apply to an authorised unit trust which is also an approved personal pension scheme (within the meaning of Chapter IV of Part XIV).

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Textual Amendments

- F30** S. 468(5) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(8) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(1)(a), **Sch. 8 Pt. 2(11)**, Note
- F31** Words in s. 468H(6) substituted (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), **Sch. 6 para. 8(1)(b)**

468I Distribution accounts.

- (1) The total amount shown in the distribution accounts as available for distribution to unit holders shall be shown as available for distribution in one of the ways set out below.
- (2) It may be shown as available for distribution as dividends ^{F32}
- (3) ^{F33}
- (4) It may be shown as available for distribution as yearly interest.
- (5) ^{F33}
- [^{F34}(5A) ^{F33}]
- (6) Amounts deriving from income under Schedule A may not be included in any amount shown in the distribution accounts as available for distribution as yearly interest.
- (7) ^{F33}

Textual Amendments

- F32** Words in s. 468I(2) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(2)(a), **Sch. 8 Pt. 2(11)**, Note
- F33** Ss. 468I(3)(5)(5A)(7) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(2)(b), **Sch. 8 Pt. 2(11)**, Note
- F34** S. 468I(5A) inserted (with effect in accordance with Sch. 7 para. 11(2) of the amending Act) by Finance Act 1997 (c. 16), **Sch. 7 para. 11(1)**

Modifications etc. (not altering text)

- C4** S. 468I modified (28.4.1997) by The Open-ended Investment Companies (Tax) Regulations 1997 (S.I. 1997/1154), **regs. 1, 9, 12**

Dividend and foreign income distributions

468J Dividend distributions.

- (1) Subsection (2) below applies where the total amount ^{F35} . . . shown in the distribution accounts as available for distribution to unit holders is shown as available for distribution as dividends ^{F35}
- (2) The Tax Acts shall have effect as if the total amount ^{F36} . . . were dividends on shares paid on the distribution date by the company referred to in section 468(1) to the unit holders in proportion to their rights.
- (3) ^{F37}

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- (4) In the following provisions of this Chapter “a dividend distribution” means a dividend treated as paid by virtue of subsection (2) above.

Textual Amendments

- F35** Words in s. 468J(1) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(3)(a), **Sch. 8 Pt. 2(11)**, Note
- F36** Words in s. 468J(2) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(3)(b), **Sch. 8 Pt. 2(11)**, Note
- F37** S. 468J(3) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(3)(c), **Sch. 8 Pt. 2(11)**, Note

468K Foreign income distributions.

F38

Textual Amendments

- F38** S. 468K repealed (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(4), **Sch. 8 Pt. 2(11)**

Interest distributions

468L Interest distributions.

- (1) Subsection (2) below applies where the total amount shown in the distribution accounts as available for distribution to unit holders is shown as available for distribution as yearly interest.
- [^{F39}(1A) For the purposes of this Chapter no amount shall be shown as so available unless the authorised unit trust in question satisfies the qualifying investments test throughout the distribution period.]
- (2) The Tax Acts shall have effect (subject to what follows) as if the total amount were payments of yearly interest made on the distribution date by the company referred to in section 468(1) to the unit holders in proportion to their rights.
- (3) In the following provisions of this Chapter “an interest distribution” means a payment of yearly interest treated as made by virtue of subsection (2) above.
- (4) The obligation under section 349(2) to deduct a sum in its application to an interest distribution is subject to [^{F40}section 468M] (and, in its application to an interest distribution to a unit holder in respect of his accumulation units, is an obligation to deduct a sum out of the amount being invested on the unit holder’s behalf).
- (5) [^{F41}Nothing in subsection (2) above or Chapter II of Part IV of the Finance Act 1996 (loan relationships) shall require any amount relating to an interest distribution to be brought into account for the purposes of that Chapter otherwise than by virtue of paragraph 4(4) of Schedule 10 to that Act; but the interest distributions of an authorised unit trust for a distribution period] shall be allowed as a deduction against the profits

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of the authorised unit trust for the accounting period in which the last day of that distribution period falls.

- (6) The deduction mentioned in subsection (5) above may be made—
- (a) in computing the total profits for the accounting period, after the deduction of any expenses deductible in computing profits apart from section 75 and either before or after the deduction under that section of sums disbursed as expenses of management; or
 - (b) against total profits as reduced by any other relief from tax or against total profits not so reduced.
- (7) Where in any accounting period the amount deductible by virtue of subsection (5) above exceeds the amount from which the deduction is made—
- (a) the excess may be carried forward to the succeeding accounting period; and
 - (b) the amount so carried forward shall be treated as if it were deductible in that succeeding accounting period by virtue of subsection (5) above.
- [^{F42}(8) For the purposes of this section an authorised unit trust satisfies the qualifying investments test throughout a distribution period (“the relevant period”) if at all times in that period, the market value of the qualifying investments exceeds 60 per cent. of the market value of all the investments of that trust.
- (9) Subject to subsection (13) below, in this section “qualifying investments”, in relation to an authorised unit trust, means the investments of that trust which are of any of the following descriptions—
- (a) money placed at interest;
 - (b) securities;
 - (c) shares in a building society;
 - (d) qualifying entitlements to a share in the investments of another authorised unit trust;
 - [^{F43}(e) qualifying shares in an open-ended investment company;]
 - [^{F44}(f) derivative contracts whose underlying subject matter consists wholly of any one or more of the matters referred to in paragraphs (a) to (e) above;
 - (g) contracts for differences whose underlying subject matter consists wholly of interest rates or creditworthiness or both of those matters.]
- (10) For the purposes of subsection (9) above an entitlement to a share in the investments of another authorised unit trust is a qualifying entitlement at any time in the relevant period if, and only if, the other authorised unit trust would itself (on the relevant assumption) satisfy the qualifying investments test throughout that period.
- (11) For the purposes of subsection (10) above the relevant assumption is that the only investments of the other authorised unit trust which are to be regarded as qualifying investments are those falling within paragraphs (a) to (c) [^{F45}, (f) and (g)] of subsection (9) above.
- (12) In this section “security” does not include shares in a company; and references in this section to investments of an authorised unit trust are references to investments subject to the trusts of that authorised unit trust but do not include references to cash awaiting investment.
- [For the purposes of subsection (9) above shares in an open-ended investment company
^{F46}(12A) are qualifying shares at any time in the relevant period if, and only if, throughout that

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period the aggregate market value of those investments of the company falling within paragraphs (a) to (c) of that subsection exceeds 60 per cent. of the market value of all its investments.

(12B) In subsection (12A) above references to investments of an open-ended investment company are references to investments comprised in the scheme property of that company, but do not include references to cash awaiting investment.

(12C) In this section—

“collective investment scheme” has the meaning given by section [F⁴⁷235 of the Financial Services and Markets Act 2000];

“open-ended investment company” means, subject to subsection (12D) below, an open-ended investment company within the meaning given by section [F⁴⁸236 of the Financial Services and Markets Act 2000] which is incorporated in the United Kingdom;

“scheme property” of an open-ended investment company means, subject to subsection (12E)(b) below, the property subject to the collective investment scheme constituted by the company.

(12D) Each of the parts of an umbrella company shall be regarded for the purposes of subsections (9) and (12A) above as an open-ended investment company and the umbrella company as a whole shall not be so regarded and shall not be regarded as a company.

(12E) In relation to a part of an umbrella company—

- (a) references in subsections (12A) and (12B) above to investments of an open-ended investment company shall have effect as references to such of the investments as under the arrangements referred to in subsection (12F) below form part of the separate pool to which that part of the umbrella company relates;
- (b) the reference in subsection (12B) above to the scheme property of an open-ended investment company shall have effect as if it were a reference to such property subject to the collective investment scheme constituted by the umbrella company as is comprised in the separate pool to which that part of the umbrella company relates;
- (c) a person for the time being having rights in that part shall be regarded as the owner of shares in the open-ended investment company which that part is deemed to be by virtue of subsection (12D) above, and not as the owner of shares in the umbrella company itself.

(12F) In subsections (12D) and (12E) above “umbrella company” means a company—

- (a) which falls within the definition of “open-ended investment company” in section [F⁴⁹236 of the Financial Services and Markets Act 2000] ,
- (b) which is incorporated in the United Kingdom,
- (c) whose instrument of incorporation provides for arrangements for such pooling as is mentioned in section [F⁵⁰235(3)(a)] of that Act in relation to separate parts of the scheme property of the company, and
- (d) the owners of shares in which are entitled to exchange rights in one part for rights in another;

and any reference to a part of an umbrella company is a reference to such of the arrangements as relate to a separate pool.

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(12G) For the purposes of subsections (12E) and (12F) above, “owner of shares” in relation to an open-ended investment company means—

- (a) the beneficial owner of the shares, or
- (b) where the shares are held on trust (other than a bare trust), the trustees of the trust, or
- (c) where the shares are comprised in the estate of a deceased person, the deceased’s personal representatives.]

[For the purposes of this section—

^{F51}(12H) “contract for differences” has the same meaning as in paragraph 12 of Schedule 26 to the Finance Act 2002;

“derivative contract” means—

- (a) a contract which is a derivative contract within the meaning of that Schedule, or
- (b) a contract which is, in the accounting period in question, treated as if it were a derivative contract by virtue of paragraph 36 of that Schedule (contracts relating to holdings in unit trust schemes, open-ended investment companies and offshore funds);

“underlying subject matter” has the same meaning as in paragraph 11 of that Schedule.]

(13) The Treasury may by order amend subsection (9) above so as to extend or restrict the descriptions of investments of an authorised unit trust that are qualifying investments.

(14) An order made by the Treasury under subsection (13) above may—

- (a) make different provision for different cases; and
- (b) contain such incidental, supplemental, consequential and transitional provision as the Treasury may think fit;

and, without prejudice to the generality of paragraph (b) above, such an order may make such incidental modifications of subsection (11) above as the Treasury may think fit.]

Textual Amendments

- F39** S. 468L(1A) inserted (with effect in accordance with Sch. 6 para. 11(3) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 6 para. 11(1)**
- F40** Words in s. 468L(4) substituted (with effect in accordance with s. 203(14) of the amending Act) by Finance Act 2003 (c. 14), **s. 203(2)**
- F41** Words in s. 468L(5) substituted (with effect in accordance with s. 105(1) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 14, para. 26** (with Sch. 15)
- F42** S. 468L(8)-(14) inserted (with effect in accordance with Sch. 6 para. 11(3) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 10 para. 11(2)**
- F43** S. 468L(9)(e) added (25.2.1997) by The Authorised Unit Trusts (Interest Distributions) (Qualifying Investments) Order 1997 (S.I. 1997/212), **art. 3**
- F44** S. 468L(9)(f)(g) inserted (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2002 (c. 23), **Sch. 27 para. 7(2)** (with Sch. 28)
- F45** Words in s. 468L(11) inserted (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2002 (c. 23), **Sch. 27 para. 7(3)** (with Sch. 28)
- F46** S. 468L(12A)-(12G) inserted (25.2.1997) by The Authorised Unit Trusts (Interest Distributions) (Qualifying Investments) Order 1997 (S.I. 1997/212), **art. 4**

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- F47** Words in s. 468L(12C) substituted (1.12.2001 with effect in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 38\(2\)\(a\)](#)
- F48** Words in s. 468L(12C) substituted (1.12.2001 with effect in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 38\(2\)\(b\)](#)
- F49** Words in s. 468L(12F)(a) substituted (1.12.2001 with effect in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 38\(3\)\(a\)](#)
- F50** Words in s. 468L(12F)(c) substituted (1.12.2001 with effect in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 38\(3\)\(b\)](#)
- F51** S. 468L(12H) inserted (with effect in accordance with s. 83(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 27 para. 7\(4\)](#) (with [Sch. 28](#))

Modifications etc. (not altering text)

- C5** S. 468L modified (28.4.1997) by [The Open-ended Investment Companies \(Tax\) Regulations 1997 \(S.I. 1997/1154\)](#), [regs. 1, 9, 13](#)

[^{F52}468M Cases where no obligation to deduct tax

- (1) Where an interest distribution is made for a distribution period to a unit holder, any obligation to deduct under section 349(2) does not apply to the interest distribution if—
- (a) the unit holder is a company or the trustees of a unit trust scheme, or
 - (b) either the residence condition or the reputable intermediary condition is on the distribution date fulfilled with respect to the unit holder.
- (2) Section 468O makes provision about the circumstances in which the residence condition or the reputable intermediary condition is fulfilled with respect to a unit holder.]

Textual Amendments

- F52** S. 468M substituted for ss. 468M, 468N (with effect in accordance with s. 203(14) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [s. 203\(3\)](#)

Modifications etc. (not altering text)

- C6** Ss. 468M, 468O, 468PA applied (with modifications) (7.8.2003 with effect in accordance with reg. 1(2) of the affecting S.I.) by [The Income Tax \(Authorised Unit Trusts\) \(Interest Distributions\) Regulations 2003 \(S.I. 2003/1830\)](#), [regs. 1\(1\)](#), 7
- C7** S. 468M(1)(a) applied (with modifications) (7.8.2003 with effect in accordance with reg. 1(2) of the affecting S.I.) by [The Income Tax \(Authorised Unit Trusts\) \(Interest Distributions\) Regulations 2003 \(S.I. 2003/1830\)](#), [regs. 1\(1\)](#), 3, 4

468O Residence condition [^{F53}and reputable intermediary condition].

- (1) For the purposes of [^{F54}section 468M], the residence condition is fulfilled with respect to a unit holder if—

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- (a) there is a valid declaration made by him that he is not ordinarily resident in the United Kingdom; or
- (b) he holds the rights as a personal representative of a unit holder and—
 - (i) before his death the deceased made a declaration valid at the time of his death that he was not ordinarily resident in the United Kingdom; or
 - (ii) the personal representative has made a declaration that the deceased, immediately before his death, was not ordinarily resident in the United Kingdom.

[^{F55}(1A) For the purposes of section 468M, the reputable intermediary condition is fulfilled with respect to a unit holder if—

- (a) the interest distribution is paid on behalf of the unit holder to a company,
- (b) the company either is subject to the EC Money Laundering Directive, or to equivalent non-EC provisions, or is an associated company resident in a regulating country or territory of a company which is so subject, and
- (c) the trustees of the authorised unit trust have reasonable grounds for believing that the unit holder is not ordinarily resident in the United Kingdom.

(1B) For the purposes of subsection (1A)(b) above—

- (a) a company is subject to the EC Money Laundering Directive if it is a credit institution or financial institution as defined by Article 1 of Directive [91/308/EEC](#), as amended by Directive [2001/97/EC](#),
- (b) a company is subject to equivalent non-EC provisions if it is required by the law of any country or territory which is not a member State to comply with requirements similar to those which, under Article 3 of that Directive (as so amended), member States must ensure are complied with by credit institutions and financial institutions,
- (c) a company is to be treated as another's associated company if it would be so treated for the purposes of Part 11 (see section 416), and
- (d) a country or territory is a regulating country or territory if it either is a member State or imposes requirements similar to those which, under Article 3 of that Directive (as so amended), member States must ensure are complied with by credit institutions and financial institutions.

(1C) If Directive [91/308/EEC](#) ceases to have effect, or is further amended, the Treasury may by order make consequential amendments in subsections (1A) and (1B) above.]

- (2) ^{F56}
- (3) ^{F56}
- (4) ^{F56}

Textual Amendments

- F53** Words in s. 468O sidenote inserted (with effect in accordance with s. 203(14) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 203\(7\)](#)
- F54** Words in s. 468O(1) substituted (with effect in accordance with s. 203(14) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 203\(5\)](#)
- F55** S. 468(1A)-(1C) inserted (with effect in accordance with s. 203(14) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 203\(6\)](#)
- F56** S. 468O(2)-(4) repealed (with effect in accordance with Sch. 43 Pt. 5(3) Note of the repealing Act) by [Finance Act 2003 \(c. 14\), Sch. 43 Pt. 5\(3\)](#)

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Modifications etc. (not altering text)

- C8** Ss. 468O, 468P applied (with modifications) (27.9.1994) by [The Income Tax \(Authorised Unit Trusts\) \(Interest Distributions\) Regulations 1994 \(S.I. 1994/2318\)](#), **regs. 1, 3-6**
- C9** S. 468O applied (with modifications) (7.8.2003 with effect in accordance with reg. 1(2) of the affecting S.I.) by [The Income Tax \(Authorised Unit Trusts\) \(Interest Distributions\) Regulations 2003 \(S.I. 2003/1830\)](#), **regs. 1(1), 3, 5**
- C10** Ss. 468M, 468O, 468PA applied (with modifications) (7.8.2003 with effect in accordance with reg. 1(2) of the affecting S.I.) by [The Income Tax \(Authorised Unit Trusts\) \(Interest Distributions\) Regulations 2003 \(S.I. 2003/1830\)](#), **regs. 1(1), 7**

468P Residence declarations.

- (1) A declaration made for the purposes of section ^{F57}468O(1) must—
 - (a) be in such form as may be required or authorised by the Board;
 - (b) be made in writing to the trustees of the authorised unit trust in question; and
 - (c) contain any details or undertakings required by ^{F58}subsection (2) or (3) below.
- (2) A declaration made as mentioned in section 468O(1)(a) or (b)(i) must contain—
 - (a) the name and principal residential address of the person making it; and
 - (b) an undertaking that he will notify the trustees if he becomes ordinarily resident in the United Kingdom.
- (3) A declaration made as mentioned in section 468O(1)(b)(ii) must contain the name of the deceased and his principal residential address immediately before his death.
- (4) ^{F59}.....
- (5) For the purposes of determining whether an interest distribution should be made with or without any deduction, the trustees may not treat a declaration as valid if—
 - (a) they receive a notification in compliance with an undertaking under subsection (2) ^{F60}... above that the person in question has become ordinarily resident ^{F60}... in the United Kingdom; or
 - (b) they come into possession of information by some other means which indicates that the person in question is or may be ordinarily resident ^{F60}... in the United Kingdom;but, subject to that, they are entitled to treat the declaration as valid.
- (6) The trustees shall, on being required to do so by a notice given by an officer of the Board, make available for inspection by such an officer any declarations made to them under this section or any specified declaration or description of declarations.
- (7) Where a notice has been given to the trustees under subsection (6) above, the declarations shall be made available within such time as may be specified in the notice and the person carrying out the inspection may take copies of or extracts from them.
- (8) ^{F61}.....
- (9) ^{F61}.....

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Textual Amendments

- F57** Words in s. 468P(1) substituted (with effect in accordance with s. 203(14) of the amending Act) by Finance Act 2003 (c. 14), s. 203(8)(a)
- F58** Words in s. 468P(1)(c) substituted (with effect in accordance with s. 203(14) of the amending Act) by Finance Act 2003 (c. 14), s. 203(8)(b)
- F59** S. 468P(4) repealed (with effect in accordance with Sch. 43 Pt. 5(3) Note of the repealing Act) by Finance Act 2003 (c. 14), Sch. 43 Pt. 5(3)
- F60** Words in s. 468P(5) repealed (with effect in accordance with Sch. 43 Pt. 5(3) Note of the repealing Act) by Finance Act 2003 (c. 14), Sch. 43 Pt. 5(3)
- F61** S. 468P(8)(9) repealed (with effect in accordance with Sch. 43 Pt. 5(3) Note of the repealing Act) by Finance Act 2003 (c. 14), Sch. 43 Pt. 5(3)

Modifications etc. (not altering text)

- C11** Ss. 468O, 468P applied (with modifications) (27.9.1994) by The Income Tax (Authorised Unit Trusts) (Interest Distributions) Regulations 1994 (S.I. 1994/2318), regs. 1, 3-6
- C12** S. 468P applied (with modifications) (7.8.2003 with effect in accordance with reg. 1(2) of the affecting S.I.) by The Income Tax (Authorised Unit Trusts) (Interest Distributions) Regulations 2003 (S.I. 2003/1830), regs. 1(1), 3, 6

[^{F62} ~~468P~~ Section 468O(1A): consequences of reasonable but incorrect belief

Where—

- (a) an interest distribution is made to a unit holder by the trustees of an authorised unit trust,
- (b) the trustees, in reliance on the reputable intermediary condition being fulfilled with respect to the unit holder, do not comply with the obligation under section 349(2) to make a deduction from the interest distribution,
- (c) that obligation would apply but for that condition being so fulfilled, and
- (d) (contrary to the belief of the trustees) the unit holder is in fact ordinarily resident in the United Kingdom,

section 350 and Schedule 16 have effect as if that obligation applied.]

Textual Amendments

- F62** Ss. 468PA, 468PB inserted (with effect in accordance with s. 203(14) of the amending Act) by Finance Act 2003 (c. 14), s. 203(9)

Modifications etc. (not altering text)

- C13** Ss. 468M, 468O, 468PA applied (with modifications) (7.8.2003 with effect in accordance with reg. 1(2) of the affecting S.I.) by The Income Tax (Authorised Unit Trusts) (Interest Distributions) Regulations 2003 (S.I. 2003/1830), regs. 1(1), 7

[^{F62} ~~468P~~ Regulations supplementing sections 468M to 468PA

- (1) The Board may by regulations make provision for giving effect to sections 468M to 468PA.
- (2) The regulations may, in particular, include provision modifying the application of those sections in relation to interest distributions made to or received under a trust.

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- (3) The regulations may, in particular, include provision for the giving by officers of the Board of notices requiring trustees of authorised unit trusts to supply information and make available books, documents and other records for inspection on behalf of the Board.
- (4) The regulations may—
 - (a) make provision in relation to times before they are made,
 - (b) make different provision for different cases, and
 - (c) make such supplementary, incidental, consequential or transitional provision as appears to the Board to be appropriate.]

Textual Amendments

F62 Ss. 468PA, 468PB inserted (with effect in accordance with s. 203(14) of the amending Act) by Finance Act 2003 (c. 14), s. 203(9)

Distributions to corporate unit holder

468Q Dividend distribution to corporate unit holder.

- (1) Subsection (2) below applies where—
 - (a) a dividend distribution for a distribution period is made to a unit holder by the trustees of an authorised unit trust; and
 - (b) on the distribution date for that distribution period the unit holder is within the charge to corporation tax.
- (2) For the purpose of computing corporation tax chargeable in the case of the unit holder the unfranked part of the dividend distribution shall be deemed—
 - (a) to be an annual payment and not a dividend distribution^{F63} . . . or an interest distribution; and
 - (b) to have been received by the unit holder after deduction of income tax at the lower rate for the year of assessment in which the distribution date falls, from a corresponding gross amount.
- (3) This is how to calculate the unfranked part of the dividend distribution—

$$U = \frac{A \times C}{D}$$

Where—

U = the unfranked part of the dividend distribution to the unit holder;

A = the amount of the dividend distribution;

^{F64}

[^{F65}C = such amount of the gross income as does not derive from franked investment income, as reduced by an amount equal to the trustees' net liability to corporation tax in respect of the gross income;]

[^{F66}D = the amount of the gross income, as reduced by an amount equal to the trustees' net liability to corporation tax in respect of the gross income;]

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- [^{F67}(3A) Any reference in this section to the trustees' net liability to corporation tax in respect of the gross income is a reference to the amount of the liability of the trustees of the authorised unit trust to corporation tax in respect of that gross income less the amount (if any) of any reduction of that liability which is given or falls to be given in accordance with any arrangements having effect by virtue of section 788 or by way of a credit under section 790(1).]
- (4) ^{F68}
- (5) Where the unit holder is on the distribution date the manager of the scheme, subsection (2) above shall not apply in so far as the rights in respect of which the dividend distribution is made are held by him in the ordinary course of his business as manager of the scheme.
- [^{F69}(5A) Where, in relation to a dividend distribution, any tax is deemed to have been deducted by virtue of the application of subsection (2)(b) above, the amount to which the unit holder is entitled by way of repayment of that tax shall not exceed the amount of the unit holder's portion of the trustees' net liability to corporation tax in respect of the gross income.
- (5B) For the purposes of subsection (5A) above the unit holder's portion shall be determined by reference to the proportions in which unit holders have rights in the authorised unit trust in the distribution period in question.
- (5C) The trustees of the authorised unit trust shall in the appropriate statement sent to the unit holder under section 234A include a statement showing their net liability to corporation tax in respect of the gross income.]
- (6) For the purposes of this section the references to the gross income are references to the gross income entered in the distribution accounts for the purpose of computing the total amount available for distribution to unit holders for the distribution period in question.

Textual Amendments

- F63** Words in s. 468Q(2)(a) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(8) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(6)(a), Sch. 8 Pt. 2(11), Note
- F64** Words in s. 468Q(3) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(8) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(6)(b)(ii), Sch. 8 Pt. 2(11), Note
- F65** Words in s. 468Q(3) substituted (with effect in accordance with Sch. 3 para. 27(5) of the amending Act) by Finance Act 1998 (c. 36), Sch. 3 para. 27(2)(a)
- F66** Words in s. 468Q(3) substituted (with effect in accordance with Sch. 3 para. 27(5) of the amending Act) by Finance Act 1998 (c. 36), Sch. 3 para. 27(2)(b)
- F67** S. 468Q(3A) inserted (with effect in accordance with Sch. 3 para. 27(5) of the amending Act) by Finance Act 1998 (c. 36), Sch. 3 para. 27(3)
- F68** S. 468Q(4) repealed (with effect in accordance with s. 36, Sch. 6 para. 8(8) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(6)(c), Sch. 8 Pt. 2(11), Note
- F69** S. 468Q(5A)-(5C) inserted (with effect in accordance with Sch. 3 para. 27(5) of the amending Act) by Finance Act 1998 (c. 36), Sch. 3 para. 27(4)

468R Foreign income distribution to corporate unit holder.

^{F70}

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Textual Amendments

F70 S. 468R repealed (with effect in accordance with s. 36, Sch. 6 para. 8(9) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 8(7), **Sch. 8 Pt. 2(11)**, Note

469 Other unit trusts.

(1) This section applies to—

- (a) ^{M2}any unit trust scheme [^{F71}that is neither an authorised unit trust nor an umbrella scheme]; ^{F72} . . .
- (b) ^{F72}

except where the trustees of the scheme are not resident in the United Kingdom.

(2) Income arising to the trustees of the scheme shall be regarded for the purposes of the Tax Acts as income of the trustees (and not as income of the unit holders) [^{F73}and, in the case of income to which section 1A applies, chargeable to income tax at the basic rate, instead of at the [^{F74}rate applicable in accordance with subsection (1A) of that section]]; and the trustees (and not the unit holders) shall be regarded as the persons to or on whom allowances or charges are to be made under the provisions of those Acts relating to relief for capital expenditure.

[^{F75}(2A) Section 231(1) shall not apply where the recipient of the distribution there mentioned is the trustees of the scheme.

(2B) Section 233(1) shall not apply where the person there mentioned is the trustees of the scheme.]

^{F76}(3) For the purposes of the Tax Acts the unit holders shall be treated as receiving annual payments (made by the trustees under deduction of tax) in proportion to their rights.

(4) The total amount of those annual payments in respect of any distribution period shall be the amount which, after deducting income tax at the basic rate in force for the year of assessment in which the payments are treated as made, is equal to the aggregate amount shown in the accounts of the scheme as income available for payment to unit holders or for investment.

(5) The date on which the annual payments are treated as made shall be the date or latest date provided by the terms of the scheme for any distribution in respect of the distribution period in question, except that, if—

- (a) the date so provided is more than 12 months after the end of the period; or
- (b) no date is so provided,

the date on which the payments are treated as made shall be the last day of the period.

[^{F77}(5A) Subsection (5B) below applies where for any year of assessment—

- (a) the trustees are (or, apart from this subsection, would be) chargeable under section 350 with tax on payments treated as made by them under subsection (3) above, and
- (b) there is an uncredited surplus in the case of the scheme.

(5B) Where this subsection applies, the amount on which the trustees would otherwise be so chargeable shall be reduced—

- (a) if the surplus is greater than that amount, to nil, or

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- (b) if it is not, by an amount equal to the surplus.
- (5C) For the purposes of subsections (5A) and (5B) above whether there is an uncredited surplus for a year of assessment in the case of a scheme (and, if so, its amount) shall be ascertained by—
- (a) determining, for each earlier year of assessment in which the income on which the trustees were chargeable to tax by virtue of subsection (2) above exceeded the amount treated by subsection (3) above as annual payments received by the unit holders, the amount of the excess,
 - (b) aggregating the amounts determined in the case of the scheme under paragraph (a) above, and
 - (c) deducting from that aggregate the total of any reductions made in the case of the scheme under subsection (5B) above for earlier years of assessment.
- (5D) The references in subsection (5C)(a) above to subsections (2) and (3) above include references to subsections (2) and (3) of section 354A of the 1970 Act.]
- (6) In this section “distribution period”^[F78] means a period beginning on or after 1st April 1987 over which income from the investments subject to the trusts is aggregated for the purposes of ascertaining the amount available for distribution to unit holders, but]—
- (a) if the scheme does not make provision for distribution periods, then for the purposes of this section its distribution periods shall be taken to be successive periods of 12 months the first of which began with the day on which the scheme took effect; and
 - (b) if the scheme makes provision for distribution periods of more than 12 months, then for the purposes of this section each of those periods shall be taken to be divided into two (or more) distribution periods, the second succeeding the first after 12 months (and so on for any further periods).
- ^[F79](6A) In this section “umbrella scheme” has the same meaning as in section 468.]
- (7) In this section “unit trust scheme” has the same meaning as in the ^[F80]Financial Services and Markets Act 2000], except that the Treasury may by regulations provide that any scheme of a description specified in the regulations shall be treated as not being a unit trust scheme for the purposes of this section.
 - (8) Regulations under this section may contain such supplementary and transitional provisions as appear to the Treasury to be necessary or expedient.
 - (9) Sections 686 ^[F81], 686A] and 687 shall not apply to a scheme to which this section applies ^[F82]except as respects income to which section 686 is treated as applying by virtue of paragraph 7 of Schedule 5AA.]
 - (10) Section 720(5) shall not apply in relation to profits or gains treated as received by the trustees of a scheme to which this section applies if or to the extent that those profits or gains represent accruals of interest (within the meaning of Chapter II of Part XVII) which are treated as income in the accounts of the scheme.
 - (11) This section shall have effect in relation to distribution periods beginning on or after 6th April 1987.

Textual Amendments

F71 Words in s. 469(1)(a) substituted (with effect in accordance with s. 113(4)-(11) of the amending Act) by Finance Act 1994 (c. 9), s. 113(3)(a)

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- F72** S. 469(1)(b) and preceding word repealed (with effect in accordance with Sch. 41 Pt. 5(1) Note 2 of the repealing Act) by Finance Act 1996 (c. 8), **Sch. 41 Pt. 5(1)**
- F73** Words in s. 469(2) inserted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by Finance Act 1996 (c. 8), **Sch. 6 para. 12**
- F74** Words in s. 469(2) substituted (with effect in accordance with Sch. 4 para. 12(5) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), **Sch. 4 para. 12(2)**
- F75** S. 469(2A)(2B) inserted (with effect in accordance with Sch. 4 para. 12(5) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), **Sch. 4 para. 12(3)**
- F76** Words in s. 469(3) repealed (with effect in accordance with Sch. 41 Pt. 5(1) Note 2 of the repealing Act) by Finance Act 1996 (c. 8), **Sch. 41 Pt. 5(1)**
- F77** S. 469(5A)-(5D) inserted by Finance Act 1988 (c. 39), **s. 71**
- F78** Words in s. 469(6) substituted (with effect in accordance with Sch. 14 para. 7 of the amending Act) by Finance Act 1994 (c. 9), **Sch. 14 para. 5**
- F79** S. 469(6A) inserted (with effect in accordance with s. 113(4)-(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 113(3)(b)**
- F80** Words in s. 469(7) substituted (1.12.2001) by Financial Services and Markets Act 2000 (c. 8), s. 431(2), **Sch. 20 para. 4(4)**; S.I. 2001/3538, **art. 2(1)**
- F81** Words in s. 469(9) inserted (with effect in accordance with Sch. 4 para. 12(5) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), **Sch. 4 para. 12(4)**
- F82** Words in s. 469(9) inserted (with effect in accordance with s. 80(6) of the amending Act) by Finance Act 1997 (c. 16), **s. 80(5)**

Modifications etc. (not altering text)

- C14** S. 469 extended (27.7.1993) by 1993 c. 37, s. 12, **Sch. 2 Pt. I para. 22(1)(2)**
- C15** For regulations see Part III Vol. 5

Marginal Citations

- M2** Source—1970 s.354A; 1987 s.39; 1987 (No.2) s.40(1)

[^{F83}469A Court common investment funds.

- (1) The Tax Acts shall have effect in relation to any common investment fund established under section 42 of the ^{M3}Administration of Justice Act 1982 (common investment funds for money paid into court) as if—
- the fund were an authorised unit trust;
 - the person who is for the time being the investment manager of the fund were the trustee of that authorised unit trust; and
 - [^{F84}the persons with qualifying interests] were the unit holders in that authorised unit trust.

- [For the purposes of subsection (1)(c) above, the persons with qualifying interests are—
- ^{F85}(1A) (a) in relation to shares in the fund held by the Accountant General, the persons whose interests entitle them, as against him, to share in the fund's investments;
- (b) in relation to shares in the fund held by any other person authorised by the Lord Chancellor to hold such shares on behalf of others (an "authorised person")—
- if there are persons whose interests entitle them, as against the authorised person, to share in the fund's investments, those persons;
 - if not, the authorised person;
- (c) in relation to shares in the fund held by persons authorised by the Lord Chancellor to hold such shares on their own behalf, those persons.]

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- (2) In this section “the Accountant General” means ^{F86} . . . the Accountant General of the Supreme Court of Judicature in England and Wales or the Accountant General of the Supreme Court of Judicature of Northern Ireland.
- (3) ^{F87}]

Textual Amendments

- F83** S. 469A inserted (with effect in accordance with s. 68(3)-(5) of the amending Act) by [Finance Act 1999 \(c. 16\)](#), **s. 68(1)**
- F84** Words in s. 469A(1)(c) substituted (with effect in accordance with s. 183(4) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **s. 183(2)**
- F85** S. 469A(1A) inserted (with effect in accordance with s. 183(4) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **s. 183(3)**
- F86** Words in s. 469A(2) repealed (with effect in accordance with Sch. 43 Pt. 3(17) Note of the repealing Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 43 Pt. 3(17)**
- F87** S. 469A(3) repealed (with effect in accordance with Sch. 43 Pt. 3(17) Note of the repealing Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 43 Pt. 3(17)**

Marginal Citations

- M3** 1982 c.53.

470 Transitional provisions relating to unit trusts.

- (1) ^{F88}
- ^{F89} (2)
- (3) ^{F88}

Textual Amendments

- F88** S. 470(1)(3) repealed (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), **Sch. 27 Pt. 3(23)**
- F89** S. 470(2) ceased to have effect (29.4.1988) by virtue of s. 470(3) below and [S.I. 1988/745](#), **art. 2**

Dealers in securities, banks and insurance businesses

471 Exchange of securities in connection with conversion operations, nationalisation etc.

- ^{F90}

Textual Amendments

- F29** Ss. 468H-468R and cross-headings inserted (with effect in accordance with [Sch. 14 para. 7](#) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), **Sch. 14 para. 2**
- F90** S. 471 repealed (with effect in accordance with s. 101(3) of the repealing Act) by [Finance Act 1998 \(c. 36\)](#), **s. 101(1)**, **Sch. 27 Pt. 3(23)**, Note 1

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472 Distribution of securities issued in connection with nationalisation etc.

F91

Textual Amendments

- F29** Ss. 468H-468R and cross-headings inserted (with effect in accordance with Sch. 14 para. 7 of the amending Act) by Finance Act 1994 (c. 9), Sch. 14 para. 2
- F91** S. 472 repealed (with effect in accordance with s. 101(4) of the repealing Act) by Finance Act 1998 (c. 36), s. 101(2), Sch. 27 Pt. 3(23), Note 2

VALID FROM 22/07/2004

[^{F92}472A Trading profits etc. from securities: taxation of amounts taken to reserves

- (1) This section applies in relation to securities—
- which are held by a person carrying on a banking business, an insurance business or a business consisting wholly or partly in dealing in securities; and
 - which are such that a profit on their sale would form part of the trading profits of that business.
- (2) Profits and losses arising from such securities that in accordance with generally accepted accounting practice are—
- calculated by reference to the fair value of the securities, and
 - recognised in that person's statement of recognised gains and losses or statement of changes in equity,
- shall be brought into account in computing the profits or losses of a business in accordance with the provisions of this Act applicable to Case I of Schedule D.
- (3) Subsection (2) does not apply—
- to an amount to the extent that it derives from or otherwise relates to an amount brought into account under that subsection in an earlier period of account, or
 - to an amount recognised for accounting purposes by way of correction of a fundamental error.
- (4) In this section, “securities”—
- includes shares and any rights, interests or options that by virtue of section 99, 135(5) or 136(5) of the Taxation of Chargeable Gains Act 1992 are treated as shares for the purposes of sections 126 to 136 of that Act; but
 - does not include a loan relationship (within the meaning of Chapter 2 of Part 4 of the Finance Act 1996).]

Textual Amendments

- F29** Ss. 468H-468R and cross-headings inserted (with effect in accordance with Sch. 14 para. 7 of the amending Act) by Finance Act 1994 (c. 9), Sch. 14 para. 2

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F92 S. 472A inserted (with effect in accordance with s. 54(2) of the amending Act) by Finance Act 2004 (c. 12), s. 54 (as amended (retrospectively) by Finance Act 2005 (c.7), Sch. 4 para. 50, Sch. 11 Pt. 2(7))

473 Conversion etc. of securities held as circulating capital.

- (1)^{M4}Subsections (3) and (4) below shall have effect where a transaction to which this section applies occurs in relation to any securities (“the original holding”)—
- (a) to which a person carrying on a banking business, an insurance business or a business consisting wholly or partly in dealing in securities is beneficially entitled; and
 - (b) which are such that a profit on their sale would form part of the trading profits of that business.
- (2) This section applies to any transaction which ^{F93}. . . —
- (a) [^{F94}results] in the original holding being equated with a new holding by virtue of sections [^{F95}126 to 136 of the 1992] Act (capital gains tax roll-over relief in cases of conversion etc.); or
 - (b) [^{F96}is] treated by virtue of section [^{F95}134] of that Act (compensation stock) as an exchange for a new holding which does not involve a disposal of the original holding;
- ^{F97}
- [^{F98}(2A) This section does not apply to securities in respect of which unrealised profits or losses, calculated by reference to the fair value of the securities at the end of a period of account, are taken into account in the period of account in which the transaction mentioned in subsection (2) above occurs.
- (2B) Subsection (2A) above shall be disregarded in determining for the purposes of section 66 of the Finance Act 2002 (election to continue postponement of mark to market) whether an asset was held by a person on 1st January 2002.]
- (3) Subject to subsection (4) below, in making any computation in accordance with the provisions of this Act applicable to Case I of Schedule D of the profits or losses of the business—
- (a) the transaction shall be treated as not involving any disposal of the original holding, and
 - (b) the new holding shall be treated as the same asset as the original holding.
- (4) Where under the transaction the person concerned receives or becomes entitled to receive any consideration in addition to the new holding, subsection (3) above shall have effect as if references to the original holding were references to the proportion of it which the market value of the new holding at the time of the transaction bears to the aggregate of that value and the market value at that time (or, if it is cash, the amount) of the consideration.
- (5) ^{F99}
- (6) In this section “securities” includes shares, any security within the meaning of section [^{F100}132 of the 1992 Act] and any rights, interests or options which by virtue of section [^{F100}[^{F101}135(5), 136(5)], 147 or 99] of that Act are treated as shares for the purposes of sections [^{F100}126 to 136] of that Act.

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- (7) In determining for the purposes of subsection (2)(a) above whether a transaction [F⁹⁴results] in the original holding being equated with a new holding by virtue of section [F¹⁰²135 or 136 of the 1992] Act the reference in section [F¹⁰²137(1)] of that Act to capital gains tax shall be construed as a reference to income tax.

Textual Amendments

- F93** Words in s. 473(2) repealed (with effect in accordance with s. 67(4)(a) of the repealing Act) by Finance Act 2002 (c. 23), s. 67(1)(a), **Sch. 40 Pt. 3(8)**, Note
- F94** Words in s. 473(2)(a)(7) substituted (with effect in accordance with s. 67(4)(a) of the amending Act) by Finance Act 2002 (c. 23), **s. 67(1)(b)**
- F95** Words in 473(2)(5) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290(1), **Sch. 10 para. 14(27)(a)** (with ss. 60, 101(1), 171, 201(3))
- F96** Word in s. 473(2)(b) substituted (with effect in accordance with s. 67(4)(a) of the amending Act) by Finance Act 2002 (c. 23), **s. 67(1)(c)**
- F97** Words in s. 473(2) repealed (with effect in accordance with s. 101(3) of the repealing Act) by Finance Act 1998 (c. 36), **Sch. 27 Pt. 3(23)**, Note 1
- F98** S. 473(2A)(2B) inserted (with effect in accordance with s. 67(4)(a) of the amending Act) by Finance Act 2002 (c. 23), **s. 67(2)**
- F99** S. 473(5) repealed (with effect in accordance with s. 164(5) of the repealing Act) by Finance Act 1996 (c. 8), **Sch. 41 Pt. 5(24)**, Note
- F100** Words in s. 473(6) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290(1), **Sch. 10 para. 14(27)(b)** (with ss. 60, 101(1), 171, 201(3))
- F101** Words in s. 473(6) substituted (with effect in accordance with Sch. 9 para. 8(2) of the amending Act) by Finance Act 2002 (c. 23), **Sch. 9 para. 4(4)**
- F102** Words in s. 473(7) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290(1), **Sch. 10 para. 14(27)(c)** (with ss. 60, 101(1), 171, 201(3))

Marginal Citations

- M4** Source—1977 s.46; 1979(C) Sch.7

474 Treatment of tax-free income.

- (1) F¹⁰³
- (2) F¹⁰⁴
- [F¹⁰³]
- F¹⁰⁵(3)

Textual Amendments

- F29** Ss. 468H-468R and cross-headings inserted (with effect in accordance with Sch. 14 para. 7 of the amending Act) by Finance Act 1994 (c. 9), **Sch. 14 para. 2**
- F103** S. 474(1)(3) repealed (with effect in accordance with Sch. 7 para. 32-35, Sch. 41 Pt. 5(2) Note of the repealing Act) by Finance Act 1996 (c. 8), Sch. 7 para. 18, Sch. 41 Pt. 5(2)
- F104** S. 474(2) repealed (with effect in accordance with s. 154(9) of the repealing Act) by Finance Act 1996 (c. 8), Sch. 28 para. 2, **Sch. 41 Pt. 5(18)**, Note

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F105 S. 474(3) inserted (with effect in accordance with Sch. 8 para. 55 of the amending Act) by Finance Act 1995 (c. 4), Sch. 8 para. 25(2)

475 Tax-free Treasury securities: exclusion of interest on borrowed money.

- [^{F106}(1) This section has effect where a banking business, an insurance business or a business consisting wholly or partly in dealing in securities—
- (a) is carried on in the United Kingdom by a person not ordinarily resident there; and
 - (b) in computing for any of the purposes of the Tax Acts the profits arising from, or loss sustained, in the business, any amount which would otherwise be brought into account is disregarded by virtue of a condition subject to which any 3½% War Loan 1952 or after was issued;
- and for this purpose insurance business includes insurance business of any category.]
- (2) Up to the amount determined under this section (“the amount ineligible for relief”), interest on money borrowed for the purposes of the business—
- (a) shall be excluded in any computation under the Tax Acts of the profits (or losses) arising from the business ^{F107} . . . , and
 - [^{F108}(b) shall not be brought into account by way of any debit given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships).]
- (3) Subject to subsection (4) below, in determining the amount ineligible for relief, account shall be taken of all money borrowed for the purposes of the business which is outstanding in the accounting or basis period, up to the total cost of the [^{F109}3½% War Loan 1952 or after] held for the purpose of the business in that period.
- (4) Where the person carrying on the business is a company, account shall not be taken of any borrowed money carrying interest which, apart from subsection (2) above, does not fall to be included in the computations under paragraph (a) of that subsection [^{F110} or to be brought into account by way of a debit given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships).]
- (5) ^{F111} . . . The amount ineligible for relief shall be equal to a year’s interest on the amount of money borrowed which is to be taken into account under subsection (3) above at a rate equal to the average rate of interest in the accounting or basis period on money borrowed for the purposes of the business, except that in the case of a period of less than 12 months interest shall be taken for that shorter period instead of for a year.
- (6) ^{F112}
- (7) ^{F112}
- (8) For the purposes of this section the cost of a holding of [^{F109}3½% War Loan 1952 or after] which has fluctuated in the accounting or basis period shall be the average cost of acquisition of the initial holding, and of any subsequent acquisitions in the accounting or basis period, applied to the average amount of the holding in the accounting or basis period, ^{F113}
- (9) In this section “accounting or basis period” means the company’s accounting period or the period by reference to which the profits or gains arising in the year of assessment are to be computed.

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Textual Amendments

- F106** S. 475(1) substituted (with effect in accordance with s. 154(9) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 28 para. 3(1)**
- F107** Words in s. 475(2)(a) repealed (with effect in accordance with Sch. 8 para. 55 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 25\(1\)\(b\)](#), **Sch. 29 Pt. 8(5)**, Note 1
- F108** S. 475(2)(b) substituted (with effect in accordance with s. 105(1) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 14 para. 27(1)** (with [Sch. 15](#))
- F109** Words in s. 475(3)(8) substituted (with effect in accordance with s. 154(9) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 28 para. 3(2)**
- F110** Words in s. 475(4) substituted (with effect in accordance with s. 105(1) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 14 para. 27(2)** (with [Sch. 15](#))
- F111** Words in s. 475(5) repealed (with effect in accordance with s. 154(9) of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 41 Pt. 5(18)**, Note
- F112** S. 475(6)(7) repealed (with effect in accordance with s. 154(9) of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 41 Pt. 5(18)**, Note
- F113** Words in s. 475(8) repealed (with effect in accordance with s. 154(9) of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 41 Pt. 5(18)**, Note

Status:

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