



# 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) <sup>M1</sup>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;

[<sup>F1</sup>but paragraph (b) above is without prejudice to the making of distributions which are interest distributions (within the meaning of [<sup>F2</sup>regulations made under section 17(3) of the Finance (No. 2) Act 2005 (as at 1st April 2006, see regulation 18(3) of the Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964)]] to unit holders]

[<sup>F3</sup>(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 [<sup>F4</sup>and section 13 shall not apply].]

(2) <sup>F5</sup>.....

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- (3) References in the Corporation Tax Acts to a body corporate shall be construed in accordance with [F6 subsection (1) above], and section [F7 234A] shall apply with any necessary modifications.
- (4) F8 .....
- (5) F9 .....
- (6) [F10 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 [F11 243 of the Financial Services and Markets Act 2000] is in force during the whole or part of that accounting period;
- F12 .....
- “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.
- [F13(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 [F11 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)**
- F2** Words in s. 468(1) substituted (1.4.2006 with effect in accordance with reg. 1(2) of the amending S.I.) by *The Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964)*, **regs. 1(1), 88(2)**
- F3** 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)**
- F4** Words in s. 468(1A) substituted (with effect in accordance with s. 26(8)-(11) of the amending Act) by Finance Act 2006 (c. 25), **s. 26(4)**
- F5** 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

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- F6** 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)**
- F7** Words in s. 468(3) substituted (16.7.1992) by Finance (No. 2) Act 1992 (c. 48), **s. 32(3)(4)**
- F8** S. 468(4) repealed (28.9.2004 with effect in accordance with art. 1(2) of the repealing S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 20
- F9** S. 468(5) repealed by Finance Act 1990 (c. 29), s. 52, **Sch. 19 Pt. 4**, Note 7
- F10** 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)**
- F11** 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)**
- F12** 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
- F13** 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** *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)

[<sup>F14</sup>**468AAuthorised unit trusts: futures and options.**

<sup>F15</sup> . . . . . ]

**Textual Amendments**

- F14** S. 468AA inserted by Finance Act 1990 (c. 29), **s. 81(1)(5)**
- F15** 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)

[<sup>F16</sup>**468ACertified unit trusts.**

<sup>F17</sup> . . . . . ]

**Textual Amendments**

- F16** Ss. 468A-468C inserted by Finance Act 1989 (c. 26), **s. 78**
- F17** Ss. 468A-468D repealed by Finance Act 1990 (c. 29), s. 52, **Sch. 19 Pt. 4**, Note 7

[<sup>F18</sup>**468AOpen-ended investment companies**

- (1) In relation to an open-ended investment company the rate of corporation tax for the financial year 2005 and subsequent financial years shall be deemed to be the rate at

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which income tax at the lower rate is charged for the year of assessment which begins on 6th April in the financial year concerned [<sup>F19</sup>(and section 13 shall not apply)].

- (2) In this section “open-ended investment company” means a company incorporated in the United Kingdom to which section 236 of the Financial Services and Markets Act 2000 applies.
- (3) Each of the parts of an umbrella company shall be regarded for the purposes of this section as an open-ended investment company and the umbrella company as a whole shall not be so regarded (and shall not, unless an enactment expressly provides otherwise, be regarded as a company for any other purpose of the Tax Acts).
- (4) In subsection (3) “umbrella company” means an open-ended investment company—
- (a) in respect of which the instrument of incorporation provides arrangements for separate pooling of the contributions of the shareholders and the profits or income out of which payments are to be made to them, and
  - (b) the shareholders of which are entitled to exchange rights in one pool for rights in another,
- and a reference to part of an umbrella company is a reference to a separate pool.]

#### Textual Amendments

**F18** S. 468A inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\), s. 16](#)

**F19** Words in s. 468A(1) substituted (with effect in accordance with s. 26(8)-(11) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 26\(5\)](#)

#### <sup>F20</sup>468B Certified unit trusts: corporation tax.

<sup>F21</sup> .....

#### Textual Amendments

**F20** Ss. 468A-468C inserted by [Finance Act 1989 \(c. 26\), s. 78](#)

**F21** Ss. 468A-468D repealed by [Finance Act 1990 \(c. 29\), s. 52, Sch. 19 Pt. 4](#), Note 7

#### <sup>F22</sup>468C Certified unit trusts: distributions.

<sup>F23</sup> .....

#### Textual Amendments

**F22** Ss. 468A-468C inserted by [Finance Act 1989 \(c. 26\), s. 78](#)

**F23** Ss. 468A-468D repealed by [Finance Act 1990 \(c. 29\), s. 52, Sch. 19 Pt. 4](#), Note 7

#### [<sup>F24</sup>468DFunds of funds: distributions.

<sup>F25</sup> .....

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**Textual Amendments**

- F24** Ss. 468D inserted by [Finance Act 1989 \(c. 26\)](#), **s. 79**
- F25** Ss. 468A-468D repealed by [Finance Act 1990 \(c. 29\)](#), s. 52, **Sch. 19 Pt. 4**, Note 7

[<sup>F26</sup> **468E** **Authorised unit trusts: corporation tax.**

<sup>F27</sup> .....

**Textual Amendments**

- F26** Ss. 468E-468G inserted by [Finance Act 1990 \(c. 29\)](#), **s. 51**
- F27** 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

[<sup>F28</sup> **468EE** **Corporation tax: cases where lower rate applies.**

<sup>F29</sup> .....

**Textual Amendments**

- F28** S. 468EE inserted (3.5.1994) by [Finance Act 1994 \(c. 9\)](#), **s. 111(2)**
- F29** 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

<sup>F30</sup> **468F** **Authorised unit trusts: distributions.**

<sup>F31</sup> .....

**Textual Amendments**

- F30** Ss. 468E-468G inserted by [Finance Act 1990 \(c. 29\)](#), **s. 51**
- F31** 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

<sup>F32</sup> **468G** **Dividends paid to investment trusts.**

<sup>F33</sup> .....

**Textual Amendments**

- F32** Ss. 468E-468G inserted by [Finance Act 1990 \(c. 29\)](#), **s. 51**
- F33** 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

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### *[<sup>F34</sup> Distributions of authorised unit trusts: general*

#### **Textual Amendments**

**F34** 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.**

F35 .....

#### **Textual Amendments**

**F35** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, **art. 2**) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), **Sch. 11 Pt. 2(3)**, Note 2

#### **468I Distribution accounts.**

F36 .....

#### **Textual Amendments**

**F36** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, **art. 2**) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), **Sch. 11 Pt. 2(3)**, Note 2

### *Dividend and foreign income distributions*

#### **468J Dividend distributions.**

F37 .....

#### **Textual Amendments**

**F37** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, **art. 2**) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), **Sch. 11 Pt. 2(3)**, Note 2

#### **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)**

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### Interest distributions

#### 468L Interest distributions.

F39 .....

##### Textual Amendments

**F39** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, **art. 2**) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), **Sch. 11 Pt. 2(3)**, Note 2

#### [<sup>F40</sup>468M Cases where no obligation to deduct tax

F41 .....]

##### Textual Amendments

**F40** 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)**

**F41** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, **art. 2**) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), **Sch. 11 Pt. 2(3)**, Note 2

#### 468O Residence condition [<sup>F42</sup>and reputable intermediary condition].

F43 .....

##### Textual Amendments

**F42** 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)**

**F43** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, **art. 2**) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), **Sch. 11 Pt. 2(3)**, Note 2

#### 468P Residence declarations.

F44 .....

##### Textual Amendments

**F44** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, **art. 2**) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), **Sch. 11 Pt. 2(3)**, Note 2

#### [<sup>F45</sup>468PA Section 468O(1A): consequences of reasonable but incorrect belief

F46 .....

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**Textual Amendments**

- F45** 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)
- F46** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, art. 2) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), Sch. 11 Pt. 2(3), Note 2

**468PB Regulations supplementing sections 468M to 468PA**

F47 .....]

**Textual Amendments**

- F45** 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)
- F47** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, art. 2) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), Sch. 11 Pt. 2(3), Note 2

*Distributions to corporate unit holder*

**468Q Dividend distribution to corporate unit holder.**

F48 .....

**Textual Amendments**

- F48** Ss. 468H-468Q repealed (in force in accordance with S.I. 2006/982, art. 2) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(a), 19(1), Sch. 11 Pt. 2(3), Note 2

**468R Foreign income distribution to corporate unit holder.**

F49 .....

**Textual Amendments**

- F49** 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) <sup>M2</sup>any unit trust scheme [<sup>F50</sup>that is neither an authorised unit trust nor an umbrella scheme]; <sup>F51</sup> . . .
  - (b) <sup>F51</sup> .....
 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) [<sup>F52</sup>and, in



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the case of income to which section 1A applies, chargeable to income tax at the basic rate, instead of at the <sup>F53</sup>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.

<sup>F54</sup>(2A) <sup>F55</sup>Section 397(1) of ITTOIA 2005] shall not apply where the recipient of the distribution there mentioned is the trustees of the scheme.

<sup>F56</sup>(2B) Section 348(4)(a) above and sections 399(2) and (6) and 400(2) and (3) of ITTOIA 2005 shall not apply where the recipient of the distribution in question is the trustees of the scheme.]]

<sup>F57</sup>(3) For the purposes of the Tax Acts <sup>F58</sup>other than ITTOIA 2005] the unit holders shall be treated as receiving annual payments (made by the trustees under deduction of tax) in proportion to their rights <sup>F59</sup>(and see Chapter 10 of Part 4 of that Act for their treatment under that Act)].

(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.

<sup>F60</sup>(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
- (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.

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(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”<sup>[F61]</sup> 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).

<sup>[F62]</sup>(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 <sup>[F63]</sup>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 <sup>[F64]</sup>, 686A] and 687 shall not apply to a scheme to which this section applies <sup>[F65]</sup>except as respects income to which section 686 is treated as applying by virtue of <sup>[F66]</sup>section 568 of ITTOIA 2005].]

(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

**F50** 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)

**F51** 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)

**F52** 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

**F53** 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)

**F54** 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)

**F55** Words in s. 469(2A) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 181(2) (with Sch. 2)

**F56** S. 469(2B) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 181(3) (with Sch. 2)

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- F57** 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)**
- F58** Words in s. 469(3) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 181(4)(a)** (with Sch. 2)
- F59** Words in s. 469(3) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 181(4)(b)** (with Sch. 2)
- F60** S. 469(5A)-(5D) inserted by Finance Act 1988 (c. 39), **s. 71**
- F61** 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**
- F62** S. 469(6A) inserted (with effect in accordance with s. s. 113(4)-(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 113(3)(b)**
- F63** 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)**
- F64** 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)**
- F65** 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)**
- F66** Words in s. 469(9) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 181(5)** (with Sch. 2)

#### Modifications etc. (not altering text)

- C3** S. 469 extended (27.7.1993) by 1993 c. 37, s. 12, **Sch. 2 Pt. 1 para. 22(1)(2)**
- C4** For regulations see Part III Vol. 5

#### Marginal Citations

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

### [<sup>F67</sup>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 <sup>M3</sup>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
  - [<sup>F68</sup>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—
- <sup>F69</sup>(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 <sup>F70</sup> . . . 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) <sup>F71</sup> . . . . . ]

**Textual Amendments**

**F67** S. 469A inserted (with effect in accordance with s. 68(3)-(5) of the amending Act) by [Finance Act 1999 \(c. 16\), s. 68\(1\)](#)

**F68** 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\(2\)](#)

**F69** S. 469A(1A) inserted (with effect in accordance with s. 183(4) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 183\(3\)](#)

**F70** 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\(17\)](#)

**F71** 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\(17\)](#)

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**Marginal Citations**

**M3** 1982 c.53.

**470 Transitional provisions relating to unit trusts.**

- (1) <sup>F72</sup> . . . . .
- <sup>F73</sup>(2) . . . . .
- (3) <sup>F72</sup> . . . . .

**Textual Amendments**

**F72** S. 470(1)(3) repealed (31.7.1998) by [Finance Act 1998 \(c. 36\), Sch. 27 Pt. 3\(23\)](#)

**F73** 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.**

- <sup>F74</sup> . . . . .

**Textual Amendments**

**F74** 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

**472 Distribution of securities issued in connection with nationalisation etc.**

- <sup>F75</sup> . . . . .

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#### Textual Amendments

- F75** 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

### [<sup>F76</sup> 472A Trading profits etc. from securities: taxation of amounts taken to reserves

- (1) This section applies in relation to securities—
  - (a) which are held by a [<sup>F77</sup> company] carrying on a banking business, an insurance business or a business consisting wholly or partly in dealing in securities; and
  - (b) 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—
  - (a) calculated by reference to the fair value of the securities, and
  - (b) recognised in that [<sup>F78</sup> company'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—
  - (a) 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
  - (b) to an amount recognised for accounting purposes by way of correction of a fundamental error.
- (4) In this section, “securities”—
  - (a) 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
  - (b) does not include a loan relationship (within the meaning of Chapter 2 of Part 4 of the Finance Act 1996).]

#### Textual Amendments

- F76** 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\(7\)](#))
- F77** Word in s. 472A(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005](#) (c. 5), [Sch. 1 para. 182\(a\)](#) (with [Sch. 2](#))
- F78** Word in s. 472A(2) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005](#) (c. 5), [Sch. 1 para. 182\(b\)](#) (with [Sch. 2](#))

### 473 Conversion etc. of securities held as circulating capital.

- (1) <sup>M4</sup>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”)—

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- (a) to which a <sup>F79</sup>company] 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 <sup>F80</sup> . . . —
- (a) <sup>F81</sup>results] in the original holding being equated with a new holding by virtue of sections <sup>F82</sup>126 to 136 of the 1992] Act (capital gains tax roll-over relief in cases of conversion etc.); or
  - (b) <sup>F83</sup>is] treated by virtue of section <sup>F82</sup>134] of that Act (compensation stock) as an exchange for a new holding which does not involve a disposal of the original holding;
- <sup>F84</sup> . . . . .
- <sup>F85</sup>(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 <sup>F79</sup>company] 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) <sup>F86</sup> . . . . .
- (6) In this section “securities” includes shares, any security within the meaning of section <sup>F87</sup>132 of the 1992 Act] and any rights, interests or options which by virtue of section <sup>F87</sup><sup>F88</sup>135(5), 136(5)], 147 or 99] of that Act are treated as shares for the purposes of sections <sup>F87</sup>126 to 136] of that Act.
- (7) In determining for the purposes of subsection (2)(a) above whether a transaction <sup>F81</sup>results] in the original holding being equated with a new holding by virtue of section <sup>F89</sup>135 or 136 of the 1992] Act the reference in section <sup>F89</sup>137(1)] of that Act to capital gains tax shall be construed as a reference to income tax.

**Textual Amendments**

**F79** Words in s. 473(1)(4) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 183](#) (with Sch. 2)

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- F80** 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
- F81** 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)**
- F82** 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))
- F83** 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)**
- F84** 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
- F85** 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)**
- F86** 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
- F87** 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))
- F88** 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)**
- F89** 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) <sup>F90</sup> .....
- (2) <sup>F91</sup> .....
- [ <sup>F90</sup> ..... ]
- <sup>F92</sup>(3)

**Textual Amendments**

- F90** 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)
- F91** 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
- F92** 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.**

- [<sup>F93</sup>(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

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- (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 <sup>F94</sup> . . . , and
  - [<sup>F95</sup>(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 [<sup>F96</sup>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 [<sup>F97</sup> 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) <sup>F98</sup> . . . 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) <sup>F99</sup> . . . . .
- (7) <sup>F99</sup> . . . . .
- (8) For the purposes of this section the cost of a holding of [<sup>F96</sup>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, <sup>F100</sup> . . . .
- (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.

**Textual Amendments**

**F93** 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\(1\)](#)

**F94** 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

**F95** 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](#))

**F96** 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\(2\)](#)



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- F97** 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)
- F98** 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
- F99** 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
- F100** 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

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