

Status: Point in time view as at 01/02/1991. This version of this provision has been superseded.

Changes to legislation: Income and Corporation Taxes Act 1988, Paragraph 2 is up to date with all changes known to be in force on or before 16 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 4 **U.K.**

DEEP DISCOUNT SECURITIES

Modifications etc. (not altering text)

C1 Sch. 4 modified (27.7.1993) by 1993 c. 34, s. 64(2)

Charge to tax after acquisition of certain securities

- 2 (1) ^{M1}This sub-paragraph applies to deep discount securities issued by a company on or after 19th March 1985 where one or both of the following applies—
- (a) immediately before the issue the assets held by the company included relevant securities with a value equal to at least 75 per cent. of the value of all the assets held by it;
 - (b) the terms of issue of the deep discount securities are determined by the company by reference to (though not necessarily in such a way that they reflect) the terms of issue of relevant securities which are held by the company when the deep discount securities are issued or which it intends to acquire later.
- (2) This sub-paragraph applies to deep discount securities issued by a company where—
- (a) sub-paragraph (1) above would apply if the references to relevant securities included references to United Kingdom corporate bonds; and
 - (b) the company acquired those bonds on or after their issue (by another company) in circumstances where sub-paragraph (1) above would have applied if they had been deep discount securities.
- (3) This sub-paragraph applied to deep discount securities of a particular kind issued by a company and in the case of which—
- (a) neither of the preceding sub-paragraphs applies; and
 - (b) at any time in the first income period of the securities of that kind the assets held by the company include relevant securities with a value equal to at least 75 per cent. of the value of all the assets held by it.
- (4) This sub-paragraph applies to deep discount securities issued by a company where either—
- (a) they are issued on a conversion to which section 82 of the 1979 Act applies of old securities; or
 - (b) they are issued by a company in exchange for old securities in circumstances in which section 85(3) of the 1979 Act applies or are treated as so issued by virtue of section 86(1) of that Act;

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and in this sub-paragraph “old securities” means deep discount securities to which sub-paragraph (1), (2) or (3) above or this sub-paragraph applies, except that securities to which sub-paragraph (3) above applies are not old securities unless sub-paragraph (3)(b) has been fulfilled in their case by the time the conversion or exchange concerned takes place.

- (5) In the following provisions of this Schedule “chargeable security” means a deep discount security to which any of the preceding sub-paragraphs applies.
- (6) In this paragraph—
- “relevant securities” means securities within the meaning of section 710, but excluding United Kingdom corporate bonds;
 - “terms of issue” includes terms relating to amounts payable on redemption or by way of interest, or to times of payment of such amounts; and
 - “value” in relation to assets means the price they might reasonably be expected to fetch on a sale in the open market.
- (7) For the purposes of this paragraph—
- (a) a company holds assets if it has a beneficial interest in them and acquires them if it acquires such an interest in them; and
 - (b) securities are of the same kind if they are treated as being of the same kind by the practice of a stock exchange, or would be so treated if dealt with on a stock exchange.
- (8) In this paragraph “United Kingdom corporate bonds” means securities—
- (a) issued by a company resident in the United Kingdom at the time of issue;
 - (b) the debt on which represents and has at all times represented a normal commercial loan, as defined in paragraph 1(5) of Schedule 18; and
 - (c) which are expressed in sterling and in respect of which no provision is made for conversion into, or redemption in, a currency other than sterling.
- (9) For the purposes of sub-paragraph (8)(c) above—
- (a) a security shall not be regarded as expressed in sterling if the amount of sterling falls to be determined by reference to the value at any time of any other currency or asset; and
 - (b) a provision for redemption in a currency other than sterling but at the rate of exchange prevailing at redemption shall be disregarded.

Marginal Citations

M1 Source—1985 s.46 Sch.11 1

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