

SCHEDULES

SCHEDULE 12

SECURITIES: NEW ISSUES

Deep discount securities

3 In Schedule 4 to the Taxes Act 1988 the following shall be inserted after paragraph 11A—

“Issue price

- 11B (1) This paragraph applies where—
- (a) securities (old securities) of a particular kind are issued by way of the original issue of securities of that kind,
 - (b) on a later occasion securities (new securities) of the same kind are issued,
 - (c) a sum (the extra return) is payable in respect of each new security, by the person issuing it, to reflect the fact that interest is accruing on the old securities,
 - (d) the issue price of each new security includes an element (whether or not separately identified) representing payment for the extra return, and
 - (e) the extra return is equal to the amount of interest payable for the relevant period on each old security.
- (2) In such a case, the issue price of each new security shall be deemed for the purposes of paragraphs 1(1)(a), (e) and (h) and 11(2) and (3) above to be its actual issue price less an amount equal to the extra return payable in respect of the security.
- (3) For the purposes of this paragraph securities are of the same kind if they are treated as being of the same kind by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange.
- (4) For the purposes of this paragraph the relevant period is the period beginning with the day following the relevant day and ending with the day on which the new securities are issued.
- (5) For the purposes of this paragraph the relevant day is—
- (a) the last day of the last (or only) income period to end in respect of the old securities before the day on which the new securities are issued, or
 - (b) the day on which the old securities were issued, in a case where no income period ended in respect of them before the day on which the new securities are issued.”