

Status: Point in time view as at 05/12/2005.

Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 2 is up to date with all changes known to be in force on or before 18 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 2

Section 35.

ASSETS HELD ON 6TH APRIL 1965

Modifications etc. (not altering text)

- C1** Sch. 2 modified (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), **Sch. 24 para. 10**
- C2** Sch. 2 modified (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), **Sch. 4 para. 10** (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.
- C3** Sch. 2 modified (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), **Sch. 7 para. 5** (with [Sch. 7 para. 9\(1\)](#))

PART I

QUOTED SECURITIES

Deemed acquisition at 6th April 1965 value

- 1 (1) This paragraph applies—
- (a) to shares and securities which on 6th April 1965 had quoted market values on a recognised stock exchange, or which had such quoted market values at any time in the period of 6 years ending on 6th April 1965, and
 - (b) to rights of unit holders in any unit trust scheme the prices of which are published regularly by the managers of the scheme.
- (2) For the purposes of this Act it shall be assumed, wherever relevant, that any assets to which this paragraph applies were sold by the owner, and immediately reacquired by him, at their market value on 6th April 1965.
- (3) This paragraph shall not apply in relation to a disposal of shares or securities of a company by a person to whom those shares or securities were issued as an employee either of the company or of some other person on terms which restrict his rights to dispose of them.

Restriction of gain or loss by reference to actual cost

- 2 (1) Subject to paragraph 4 below and section 109(4), paragraph 1(2) above shall not apply in relation to a disposal of assets—
- (a) if on the assumption in paragraph 1(2) a gain would accrue on that disposal to the person making the disposal and either a smaller gain or a loss would so accrue if paragraph 1(2) did not apply, or
 - (b) if on the assumption in paragraph 1(2) a loss would so accrue and either a smaller loss or a gain would accrue if paragraph 1(2) did not apply,

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and accordingly the amount of the gain or loss accruing on the disposal shall be computed without regard to the preceding provisions of this Schedule except that in a case where this sub-paragraph would otherwise substitute a loss for a gain or a gain for a loss it shall be assumed, in relation to the disposal, that the relevant assets were sold by the owner, and immediately reacquired by him, for a consideration such that, on the disposal, neither a gain nor a loss accrued to the person making the disposal.

(2) For the purpose of—

- (a) identifying shares or securities held on 6th April 1965 with shares or securities previously acquired, and
- (b) identifying the shares or securities held on that date with shares or securities subsequently disposed of, and distinguishing them from shares or securities acquired subsequently,

so far as that identification is needed for the purposes of sub-paragraph (1) above, and so far as the shares or securities are of the same class, shares or securities acquired at a later time shall be deemed to be disposed of before shares or securities acquired at an earlier time.

(3) Sub-paragraph (2) above has effect subject to section 105.

3 (1) Where—

- (a) a disposal was made out of quoted securities before 20th March 1968, and
- (b) by virtue of paragraph 2 of Schedule 7 to the ^{M1}Finance Act 1965 some of the quoted securities out of which the disposal was made were acquired before 6th April 1965 and some later,

then in computing the gain accruing on any disposal of quoted securities the question of what remained undisposed of on the earlier disposal shall be decided on the footing that paragraph 2 of that Schedule did not apply as respects that earlier disposal.

(2) The rules of identification in paragraph 2(2) above shall apply for the purposes of this paragraph as they apply for the purposes of that paragraph.

Marginal Citations

M1 1965 c. 25.

Election for pooling

4 (1) This paragraph applies in relation to quoted securities as respects which an election under paragraphs 4 to 7 of Schedule 5 to the 1979 Act had not been made before the operative date, within the meaning of Part II of Schedule 13 to the ^{M2}Finance Act 1982, (so that they do not constitute a 1982 holding within the meaning of section 109), but does not apply in relation to relevant securities within the meaning of section 108.

(2) If a person so elects, quoted securities covered by the election shall be excluded from paragraph 2 above, so that paragraph 1(2) above is not excluded by that paragraph as respects those securities, and sub-paragraphs (3) to (7) (which re-enact section 65 of the 1979 Act) apply.

(3) Subject to section 105, any number of quoted securities of the same class held by one person in one capacity shall for the purposes of this Act be regarded as

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indistinguishable parts of a single asset (in this paragraph referred to as a holding) growing or diminishing on the occasions on which additional securities of the class in question are acquired, or some of the securities of the class in question are disposed of.

- (4) Without prejudice to the generality of sub-paragraph (3) above, a disposal of quoted securities in a holding, other than the disposal outright of the entire holding, is a disposal of part of an asset and the provisions of this Act relating to the computation of a gain accruing on a disposal of part of an asset shall apply accordingly.
- (5) Securities shall not be treated for the purposes of this paragraph as being of the same class unless they are so treated by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange, but shall be treated in accordance with this paragraph notwithstanding that they are identified in some other way by the disposal or by the transfer or delivery giving effect to it.
- (6) This paragraph shall apply separately in relation to any securities held by a person to whom they were issued as an employee of the company or of any other person on terms which restrict his rights to dispose of them, so long as those terms are in force, and, while applying separately to any such securities, shall have effect as if the owner held them in a capacity other than that in which he holds any other securities of the same class.
- (7) Nothing in this paragraph shall be taken as affecting the manner in which the market value of any asset is to be ascertained.
- (8) An election made by any person under this paragraph shall be as respects all disposals made by him at any time, including disposals made before the election but after 19th March 1968—
 - (a) of quoted securities of kinds other than fixed-interest securities and preference shares, or
 - (b) of fixed-interest securities and preference shares,and references to the quoted securities covered by an election shall be construed accordingly.

Any person may make both of the elections.

- (9) An election under this paragraph shall not cover quoted securities which the holder acquired on a disposal after 19th March 1968 in relation to which either section 58 or 171(1) applies, but this paragraph shall apply to the quoted securities so held if the person who made the original disposal (that is to say the [^{F1}spouse or civil partner] of the holder, or the other member of the group of companies) makes an election covering quoted securities of the kind in question.

For the purpose of identifying quoted securities disposed of by the holder with quoted securities acquired by him on a disposal in relation to which either section 58 or 171(1) applies, so far as they are of the same class, quoted securities acquired at an earlier time shall be deemed to be disposed of before quoted securities acquired at a later time.

- (10) For the avoidance of doubt it is hereby declared—
 - (a) that where a person makes an election under this paragraph as respects quoted securities which he holds in one capacity, that election does not cover quoted securities which he holds in another capacity, and
 - (b) that an election under this paragraph is irrevocable.

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- (11) An election under this paragraph shall be made by notice to ^{F2}an officer of the Board given—
- (a) in the case of an election for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the first relevant disposal is made;
 - (b) in the case of an election for the purposes of corporation tax, not later than the expiration of 2 years from the end of the accounting period in which the first relevant disposal is made; or
 - (c) in either case, within such further time as the Board may allow.]
- (12) Subject to paragraph 5 below, in this paragraph the “first relevant disposal”, in relation to each of the elections referred to in sub-paragraph (8) of this paragraph, means the first disposal after 19th March 1968 by the person making the election of quoted securities of the kind covered by that election.
- (13) All such adjustments shall be made, whether by way of discharge or repayment of tax, or the making of assessments or otherwise, as are required to give effect to an election under this paragraph.

Textual Amendments

- F1** Words in Sch. 2 para. 4(9) substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **124(a)**
- F2** Words in Sch. 2 para. 4(11) substituted (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 21 para. 42(2)**

Marginal Citations

- M2** 1982 c. 39.

Election by principal company of group

- 5 (1) In the case of companies which at the relevant time are members of a group of companies—
- (a) an election under paragraph 4 above by the company which at that time is the principal company of the group shall have effect also as an election by any other company which at that time is a member of the group, and
 - (b) no election under that paragraph may be made by any other company which at that time is a member of the group.
- (2) In this paragraph “the relevant time”, in relation to a group of companies, and in relation to each of the elections referred to in paragraph 4(8) above, is the first occasion after 19th March 1968 when any company which is then a member of a group disposes of quoted securities of a kind covered by that election, and for the purposes of paragraph 4(11) above that occasion is, in relation to the group, “the first relevant disposal”.
- (3) This paragraph shall not apply in relation to quoted securities of either kind referred to in paragraph 4(8) above which are owned by a company which, in some period after 19th March 1968 and before the relevant time, was not a member of the group if in that period it had made an election under paragraph 4 above in relation to securities of that kind (or was treated by virtue of this paragraph, in relation to another group,

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as having done so), or had made a disposal of quoted securities of that kind and did not make an election within the time limited by paragraph 4(11) above.

- (4) This paragraph shall apply notwithstanding that a company ceases to be a member of the group at any time after the relevant time.
- (5) In this paragraph “company” and “group” shall be construed in accordance with section 170(2) to (9).

Pooling at value on 6th April 1965: exchange of securities etc.

- 6 (1) Where a person who has made only one of the elections under paragraph 4 above disposes of quoted securities which, in accordance with Chapter II of Part IV, are to be regarded as being or forming part of a new holding, the election shall apply according to the nature of the quoted securities disposed of, notwithstanding that under that Chapter the new holding is to be regarded as the same asset as the original holding and that the election would apply differently to the original holding.
- (2) Where the election does not cover the disposal out of the new holding but does cover quoted securities of the kind comprised in the original holding, then in computing the gain accruing on the disposal out of the new holding (in accordance with paragraph 3 above) the question of what remained undisposed of on any disposal out of the original holding shall be decided on the footing that paragraph 3 above applied to that earlier disposal.
- (3) In the converse case (that is to say, where the election covers the disposal out of the new holding, but does not cover quoted securities of the kind comprised in the original holding) the question of how much of the new holding derives from quoted securities held on 6th April 1965 and how much derives from other quoted securities, shall be decided as it is decided for the purposes of paragraph 3 above.

Underwriters

- 7 No election under paragraph 4 above shall cover quoted securities comprised in any underwriter’s premiums trust fund, or premiums trust fund deposits, or personal reserves, being securities comprised in funds to which section 206 applies.

Interpretation of paragraphs 3 to 7

- 8 (1) In paragraphs 3 to 7 above—
 - “quoted securities” means assets to which paragraph 1 above applies,
 - “fixed interest security” means any security as defined by section 132,
 - “preference share” means any share the holder whereof has a right to a dividend at a fixed rate, but has no other right to share in the profits of the company.
- (2) If and so far as the question whether at any particular time a share was a preference share depends on the rate of dividends payable on or before 5th April 1973, the reference in the definition of “preference share” in sub-paragraph (1) above to a dividend at a fixed rate includes a dividend at a rate fluctuating in accordance with the standard rate of income tax.

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PART II

LAND REFLECTING DEVELOPMENT VALUE

- 9 (1) Subject to paragraph 17(2) of Schedule 11, this Part of this Schedule shall apply in relation to a disposal of an asset which is an interest in land situated in the United Kingdom—
- (a) if, but for this paragraph, the expenditure allowable as a deduction in computing the gain accruing on the disposal would include any expenditure incurred before 6th April 1965, and
 - (b) if the consideration for the asset acquired on the disposal exceeds the current use value of the asset at the time of the disposal, or if any material development of the land has been carried out after 17th December 1973 since the person making the disposal acquired the asset.
- (2) For the purposes of this Act, it shall be assumed that, in relation to the disposal and, if it is a part disposal, in relation to any subsequent disposal of the asset which is an interest in land situated in the United Kingdom, that asset was sold by the person making the disposal, and immediately reacquired by him, at its market value on 6th April 1965.
- (3) Sub-paragraph (2) above shall apply also in relation to any prior part disposal of the asset and, if tax has been charged, or relief allowed, by reference to that part disposal on a different footing, all such adjustments shall be made, whether by way of assessment or discharge or repayment of tax, as are required to give effect to the provisions of this sub-paragraph.
- (4) Sub-paragraph (2) above shall not apply in relation to a disposal of assets—
- (a) on the assumption in that sub-paragraph a gain would accrue on that disposal to the person making the disposal and either a smaller gain or a loss would so accrue (computed in accordance with the provisions of this Act) if it did not apply, or
 - (b) if on the assumption in sub-paragraph (2) a loss would so accrue and either a smaller loss or a gain would accrue if that sub-paragraph did not apply,
- and accordingly the amount of the gain or loss accruing on the disposal shall be computed without regard to the provisions of this Schedule except that in a case where this sub-paragraph would otherwise substitute a loss for a gain or a gain for a loss it shall be assumed, in relation to the disposal, that the relevant assets were sold by the owner, and immediately reacquired by him, for a consideration such that, on the disposal, neither a gain nor a loss accrued to the person making the disposal.
- (5) For the purposes of this Part of this Schedule—
- (a) “interest in land” means any estate or interest in land, any right in or over land or affecting the use or disposition of land, and any right to obtain such an estate, interest or right from another which is conditional on that other’s ability to grant the estate, interest or right in question, except that it does not include the interest of a creditor (other than a creditor in respect of a rentcharge) whose debt is secured by way of a mortgage, an agreement for a mortgage or a charge of any kind over land, or, in Scotland, the interest of a creditor in a charge or security of any kind over land; and
 - (b) “land” includes buildings.
- 10 (1) For the purposes of this Part of this Schedule, the current use value of an interest in land shall be ascertained in accordance with the following provisions of this Part,

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and in this Part the time as at which current use value is to be ascertained is referred to as “the relevant time”.

- (2) Subject to the following provisions of this Part of this Schedule, the current use value of an interest in land at the relevant time is the market value of that interest at that time calculated on the assumption that it was at that time, and would continue to be, unlawful to carry out any material development of the land other than any material development thereof which, being authorised by planning permission in force at that time, was begun before that time.

In relation to any material development which was begun before 18th December 1973 this sub-paragraph shall have effect with the omission of the words from “other than” to “before that time”.

- (3) In this paragraph “planning permission” has the same meaning as in the ^{M3}Town and Country Planning Act 1990, or, in Scotland, the ^{M4}Town and Country Planning (Scotland) Act 1972, or, in Northern Ireland, the ^{M5}Planning (Northern Ireland) Order 1991, and in determining for the purposes of this paragraph what material development of any land was authorised by planning permission at a time when there was in force in respect of the land planning permission granted on an outline application (that is to say, an application for planning permission subject to subsequent approval on any matters), any such development of the land which at that time—

- (a) was authorised by that permission without any requirement as to subsequent approval; or
- (b) not being so authorised, had been approved in the manner applicable to that planning permission,

but no other material development, shall for those purposes be taken to have been authorised by that permission at that time.

- (4) Where the value to be ascertained is the current use value of an interest in land which has been disposed of by way of a part disposal of an asset (“the relevant asset”) consisting of an interest in land, the current use value at the relevant time of the interest disposed of shall be the relevant fraction of the current use value of the relevant asset at that time, calculated on the same assumptions as to the lawfulness or otherwise of any material development as fall to be made under this Part in calculating the current use value at that time of the interest disposed of.
- (5) For the purposes of sub-paragraph (4) above “the relevant fraction” means that fraction of the sums mentioned in paragraph (6) below which under subsection (2) of section 42 is, or would but for subsection (4) of that section be, allowable as a deduction in computing the amount of the gain accruing on the part disposal.
- (6) The sums referred to in sub-paragraph (5) above are the sums which, if the entire relevant asset had been disposed of at the time of the part disposal, would be allowable by virtue of section 38(1)(a) and (b) as a deduction in computing the gain accruing on that disposal of the relevant asset.
- (7) Sub-paragraphs (4) to (6) above shall not apply—
- (a) in the case of a disposal of an interest in land by way of a part disposal if, on making the disposal, the person doing so no longer has any interest in the land which is subject to that interest; or
 - (b) in a case to which the following provisions of this paragraph apply.

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- (8) In computing any gain accruing to a person on a part disposal of an interest in land resulting under subsection (1) of section 22 from the receipt as mentioned in paragraph (a), (c) or (d) of that subsection of a capital sum, the current use value at the relevant time of the interest out of which the part disposal was made shall be taken to be what it would have been at that time if the circumstances which caused the capital sum to be received had not arisen.

Marginal Citations

- M3** 1990 c. 8.
M4 1972 c. 52.
M5 S.I. 1991/1220 (N.I.11)

- 11 (1) The current use value of an interest in land which is either—
- (a) a freehold interest which is subject to a lease or an agreement for a lease, or
 - (b) an interest under a lease or agreement for a lease,
- shall be ascertained without regard to any premium required under the lease or agreement for a lease or any sublease, or otherwise under the terms subject to which the lease or sublease was or is to be granted, but with regard to all other rights under the lease or prospective lease (and, for the current use value of an interest under a lease subject to a sublease, under the sublease).
- (2) If under sub-paragraph (1) above an interest under a lease or agreement for a lease would have a negative value, the current use value of the interest shall be nil.
- (3) If a lease is granted out of any interest in land after 17th December 1973, then, in computing any gain accruing on any disposal of the reversion on the lease made while the lease subsists, the current use value of the reversion at any time after the grant of the lease shall not exceed what would have been at that time the current use value of the interest in the land of the person then owning the reversion if that interest had not been subject to the lease.
- (4) In the application of this paragraph to Scotland, “freehold” means the estate or interest of the proprietor of the dominium utile or, in the case of property other than feudal property, of the owner, and “reversion” means the interest of the landlord in property subject to a lease.
- 12 In computing any gain accruing to a person on a disposal of a lease which is a wasting asset, the current use value of the lease at the time of its acquisition by the person making the disposal shall be the fraction—
- of what its current use value at that time would be apart from this paragraph, where—
- A is equal to so much of the expenditure attributable to the lease under section 38(1)(a) and (b) as is not under paragraph 1 of Schedule 8 excluded therefrom for the purposes of the computation of the gain accruing on the disposal, and
- B is equal to the whole of the expenditure which would be so attributable to the lease for those purposes apart from the said paragraph 1.
- 13 (1) In this Part of this Schedule, “material development”, in relation to any land, means the making of any change in the state, nature or use of the land, but the doing of any of the following things in the case of any land shall not be taken to involve material development of the land, that is to say—

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- (a) the carrying out of works for the maintenance, improvement, enlargement or other alteration of any building, so long as the cubic content of the original building is not exceeded by more than one-tenth;
- (b) the carrying out of works for the rebuilding, as often as occasion may require, of any building which was in existence at the relevant time, or of any building which was in existence in the period of 10 years immediately preceding the day on which that time falls but was destroyed or demolished before the relevant time, so long as (in either case) the cubic content of the original building is not exceeded by more than one-tenth;
- (c) the use of any land for the purposes of agriculture or forestry, the use for any of those purposes of any building occupied together with land so used, and the carrying out on any land so used of any building or other operations required for the purposes of that use;
- (d) the carrying out of operations on land for, or the use of land for, the display of an advertisement, announcement or direction of any kind;
- (e) the carrying out of operations for, or the use of the land for, car parking, provided that such use shall not exceed 3 years;
- (f) in the case of a building or other land which at the relevant time was used for a purpose falling within any class specified in sub-paragraph (4) below or which, being unoccupied at that time, was last used for any such purpose, the use of that building or land for any other purpose falling within the same class;
- (g) in the case of a building or other land which at the relevant time was in the occupation of a person by whom it was used as to part only for a particular purpose, the use for that purpose of any additional part of the building or land not exceeding one-tenth of the cubic content of the part of the building used for that purpose at the relevant time or, as the case may be, one-tenth of the area of the land so used at that time;
- (h) in the case of land which at the relevant time was being temporarily used for a purpose other than the purpose for which it was normally used, the resumption of the use of the land for the last-mentioned purpose;
- (i) in the case of land which was unoccupied at the relevant time, the use of the land for the purpose for which it was last used before that time.

References in this paragraph to the cubic content of a building are references to that content as ascertained by external measurement.

- (2) For the purposes of sub-paragraph (1)(a) and (b)—
- (a) where 2 or more buildings are included in a single development the whole of that development may be regarded as a single building, and where 2 or more buildings result from the redevelopment of a single building the new buildings may together be regarded as a single building, but 2 or more buildings shall not be treated as included in a single development unless they are or were comprised in the same curtilage; and
 - (b) in determining whether or not the cubic content of the original building has been exceeded by more than one-tenth, the cubic content of the building after the carrying out of the works in question shall be treated as reduced by the amount (if any) by which so much of that cubic content as is attributable to one or more of the matters mentioned in sub-paragraph (3) below exceeds so much of the cubic content of the original building as was attributable to one or more of the matters so mentioned.

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- (3) The matters referred to in sub-paragraph (2)(b) are the following, that is to say—
- (a) means of escape in case of fire;
 - (b) car-parking or garage space;
 - (c) accommodation for plant providing heating, air-conditioning or similar facilities.
- (4) The classes of purposes mentioned in sub-paragraph (1)(f) are the following—
- Class A—Use as a dwelling-house or for the purpose of any activities which are wholly or mainly carried on otherwise than for profit, except use for a purpose falling within Class B, C or E.
- Class B—Use as an office or retail shop.
- Class C—Use as a hotel, boarding-house or guest-house, or as premises licensed for the sale of intoxicating liquors for consumption on the premises.
- Class D—Use for the purpose of any activities wholly or mainly carried on for profit, except—
- (a) use as a dwelling-house or for the purposes of agriculture or forestry; and
 - (b) use for a purpose falling within Class B, C or E.
- Class E—Use for any of the following purposes, namely—
- (a) the carrying on of any process for or incidental to any of the following purposes, namely—
 - (i) the making of any article or of any part of any article, or the production of any substance;
 - (ii) the altering, repairing, ornamenting, finishing, cleaning, washing, packing or canning, or adapting for sale, or breaking up or demolishing of any article; or
 - (iii) without prejudice to (i) or (ii) above, the getting, dressing or treatment of minerals,
 being a process carried on in the course of a trade or business other than agriculture or forestry, but excluding any process carried on at a dwelling-house or retail shop;
 - (b) storage purposes (whether or not involving use as a warehouse or repository) other than storage purposes ancillary to a purpose falling within Class B or C.
- 14 (1) For the purposes of this Part, material development shall be taken to be begun on the earliest date on which any specified operation comprised in the material development is begun.
- (2) In this paragraph “specified operation” means any of the following, that is to say—
- (a) any work of construction in the course of the erection of a building;
 - (b) the digging of a trench which is to contain the foundations, or part of the foundations, of a building;
 - (c) the laying of any underground main or pipe to the foundations, or part of the foundations, of a building or to any such trench as is mentioned in (b) above;
 - (d) any operation in the course of laying out or constructing a road or part of a road;
 - (e) any change in the use of any land.
- (3) Subject to sub-paragraph (4) below, material development shall for the purposes of this Part of this Schedule not be treated as carried out after a particular date if it was begun on or before that date.

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- (4) If, in the case of any land—
- (a) material development thereof was begun on or before 17th December 1973 but was not completed on or before that date, and
 - (b) the development was on that date to any extent not authorised by planning permission (within the meaning of paragraph 10(3) above) then in force,
- then, for the purposes of this Part of this Schedule, so much of the development carried out after that date as was not so authorised on that date shall be treated as begun on the earliest date after 17th December 1973 on which any specified operation comprised therein is begun, and shall accordingly be treated as material development of the land carried out after 17th December 1973.
- 15 In this Part of this Schedule, unless the context otherwise requires—
- “agriculture” includes horticulture, fruit growing, seed growing, dairy farming, the keeping and breeding of livestock (including any creature kept for the production of food, wool, skins or fur, or for the purpose of its use in the farming of land), the use of land as grazing land, meadow land, osier land, market gardens and nursery grounds, and the use of land for woodlands where that use is ancillary to the farming of land for other agricultural purposes, and “agricultural” shall be construed accordingly;
 - “article” means an article of any description;
 - “building” includes part of a building and references to a building may include references to land occupied therewith and used for the same purposes;
 - “forestry” includes afforestation;
 - “minerals” includes all minerals and substances in or under land of a kind ordinarily worked for removal by underground or surface working;
 - “retail shop” includes any premises of a similar character where retail trade or business (including repair work) is carried on;
 - “substance” means any natural or artificial substance or material, whether in solid or liquid form or in the form of a gas or vapour.

PART III

OTHER ASSETS

Apportionment by reference to straightline growth of gain or loss over period of ownership

- 16 (1) This paragraph applies subject to Parts I and II of this Schedule.
- (2) On the disposal of assets by a person whose period of ownership began before 6th April 1965 only so much of any gain accruing on the disposal as is under this paragraph to be apportioned to the period beginning with 6th April 1965 shall be a chargeable gain.
- (3) Subject to the following provisions of this Schedule, the gain shall be assumed to have grown at a uniform rate from nothing at the beginning of the period of ownership to its full amount at the time of the disposal so that, calling the part of that period before 6th April 1965, P, and the time beginning with 6th April 1965 and ending with the time of the disposal T, the fraction of the gain which is a chargeable gain is—

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$$\frac{T}{P + T}.$$

- (4) If any of the expenditure which is allowable as a deduction in the computation of the gain is within section 38(1)(b)—
- (a) the gain shall be attributed to the expenditure, if any, allowable under section 38(1)(a) as one item of expenditure, and to the respective items of expenditure under section 38(1)(b) in proportion to the respective amounts of those items of expenditure,
 - (b) sub-paragraph (3) of this paragraph shall apply to the part of the gain attributed to the expenditure under section 38(1)(a),
 - (c) each part of the gain attributed to the items of expenditure under section 38(1)(b) shall be assumed to have grown at a uniform rate from nothing at the time when the relevant item of expenditure was first reflected in the value of the asset to the full amount of that part of the gain at the time of the disposal,

so that, calling the respective proportions of the gain E(0), E(1), E(2) and so on (so that they add up to unity) and calling the respective periods from the times when the items under section 38(1)(b) were reflected in the value of the asset to 5th April 1965 P(1), P(2) and so on, and employing also the abbreviations in sub-paragraph (3) above, the fraction of the gain which is a chargeable gain is—

$$E(0) \frac{T}{P + T} + E(1) \frac{T}{P(1) + T} + E(2) \frac{T}{P(2) + T} \text{ and so on.}$$

- (5) In a case within sub-paragraph (4) above where there is no initial expenditure (that is no expenditure under section 38(1)(a)) or that initial expenditure is, compared with any item of expenditure under section 38(1)(b), disproportionately small having regard to the value of the asset immediately before the subsequent item of expenditure was incurred, the part of the gain which is not attributable to the enhancement of the value of the asset due to any item of expenditure under section 38(1)(b) shall be deemed to be attributed to expenditure incurred at the beginning of the period of ownership and allowable under section 38(1)(a), and the part or parts of the gain attributable to expenditure under section 38(1)(b) shall be reduced accordingly.
- (6) The beginning of the period over which a gain, or part of a gain, is under sub-paragraphs (3) and (4) above to be treated as growing shall not be earlier than 6th April 1945, and this sub-paragraph shall have effect notwithstanding any provision in this Schedule or elsewhere in this Act.
- (7) If in pursuance of section 42 an asset's market value at a date before 6th April 1965 is to be ascertained, sub-paragraphs (3) to (5) above shall have effect as if that asset had been on that date sold by the owner, and immediately reacquired by him, at that market value.
- (8) If in pursuance of section 42 an asset's market value at a date on or after 6th April 1965 is to be ascertained sub-paragraphs (3) to (5) above shall have effect as if—
- (a) the asset on that date had been sold by the owner, and immediately reacquired by him, at that market value, and

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- (b) accordingly, the computation of any gain on a subsequent disposal of that asset shall be computed—
 - (i) by apportioning in accordance with this paragraph the gain or loss over a period ending on that date (the date of the part disposal), and
 - (ii) by bringing into account the entire gain or loss over the period from the date of the part disposal to the date of subsequent disposal.
- (9) For the purposes of this paragraph the period of ownership of an asset shall, where under section 43 account is to be taken of expenditure in respect of an asset from which the asset disposed of was derived, or where it would so apply if there were any relevant expenditure in respect of that other asset, include the period of ownership of that other asset.
- (10) If under this paragraph part only of a gain is a chargeable gain, the fraction in section 223(2) shall be applied to that part instead of to the whole of the gain.

Election for valuation at 6th April 1965

- 17
- (1) If the person making a disposal so elects, paragraph 16 above shall not apply in relation to that disposal and it shall be assumed, both for the purposes of computing the gain accruing to that person on the disposal, and for all other purposes both in relation to that person and other persons, that the assets disposed of, and any assets of which account is to be taken in relation to the disposal under section 43, being assets which were in the ownership of that person on 6th April 1965, were on that date sold, and immediately reacquired, by him at their market value on 6th April 1965.
 - (2) Sub-paragraph (1) above shall not apply in relation to a disposal of assets if on the assumption in that sub-paragraph a loss would accrue on that disposal to the person making the disposal and either a smaller loss or a gain would accrue if sub-paragraph (1) did not apply, but in a case where this sub-paragraph would otherwise substitute a gain for a loss it shall be assumed, in relation to the disposal, that the relevant assets were sold by the owner, and immediately reacquired by him, for a consideration such that, on the disposal, neither a gain nor a loss accrued to the person making the disposal.

The displacement of sub-paragraph (1) above by this sub-paragraph shall not be taken as bringing paragraph 16 above into operation.
 - (3) An election under this paragraph shall be made by notice to ^{F3}an officer of the Board given—
 - (a) in the case of an election for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the disposal is made;
 - (b) in the case of an election for the purposes of corporation tax, within 2 years from the end of the accounting period in which the disposal is made; or
 - (c) in either case, within such further time as the Board may by notice allow.]
 - (4) For the avoidance of doubt it is hereby declared that an election under this paragraph is irrevocable.
 - (5) An election may not be made under this paragraph as respects, or in relation to, an asset the market value of which at a date on or after 6th April 1965, and before the date of the disposal to which the election relates, is to be ascertained in pursuance of section 42.

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Textual Amendments

- F3** Words in Sch. 2 para. 17(3) substituted (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 21 para. 42\(3\)](#)

Unquoted shares, commodities etc.

- 18 (1) This paragraph has effect as respects shares held by any person on 6th April 1965 other than quoted securities within the meaning of paragraph 8 above and shares as respects which an election is made under paragraph 17 above.
- (2) For the purpose of—
- (a) identifying the shares so held on 6th April 1965 with shares previously acquired, and
 - (b) identifying the shares so held on that date with shares subsequently disposed of, and distinguishing them from shares acquired subsequently,
- so far as the shares are of the same class, shares bought at a later time shall be deemed to have been disposed of before shares bought at an earlier time.
- (3) Sub-paragraph (2) above has effect subject to section 105.
- (4) Shares shall not be treated for the purposes of this paragraph as being of the same class unless if dealt with on a recognised stock exchange they would be so treated, but shall be treated in accordance with this paragraph notwithstanding that they are identified in a different way by a disposal or by the transfer or delivery giving effect to it.
- (5) This paragraph, without sub-paragraph (4), shall apply in relation to any assets, other than shares, which are of a nature to be dealt with without identifying the particular assets disposed of or acquired.

Reorganisation of share capital, conversion of securities etc.

- 19 (1) For the purposes of this Act, it shall be assumed that any shares or securities held by a person on 6th April 1965 (identified in accordance with paragraph 18 above) which, in accordance with Chapter II of Part IV, are to be regarded as being or forming part of a new holding were sold and immediately reacquired by him on 6th April 1965 at their market value on that date.
- (2) If, at any time after 5th April 1965, a person comes to have, in accordance with Chapter II of Part IV, a new holding, paragraph 16(3) to (5) above shall have effect as if—
- (a) the new holding had at that time been sold by the owner, and immediately reacquired by him, at its market value at that time, and
 - (b) accordingly, the amount of any gain on a disposal of the new holding or any part of it shall be computed—
 - (i) by apportioning in accordance with paragraph 16 above the gain or loss over a period ending at that time, and
 - (ii) by bringing into account the entire gain or loss over the period from that time to the date of the disposal.

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- (3) This paragraph shall not apply in relation to a reorganisation of a company's share capital if the new holding differs only from the original shares in being a different number, whether greater or less, of shares of the same class as the original shares.

PART IV

MISCELLANEOUS

Capital allowances

- 20 If under any provision in this Schedule it is to be assumed that any asset was on 6th April 1965 sold by the owner, and immediately reacquired by him, sections 41 and 47 shall apply in relation to any capital allowance or renewals allowance made in respect of the expenditure actually incurred by the owner in providing the asset, and so made for the year 1965-66 or for any subsequent year of assessment, as if it were made in respect of the expenditure which, on that assumption, was incurred by him in reacquiring the asset on 7th April 1965.

Assets transferred to close companies

- 21 (1) This paragraph has effect where—
- (a) at any time, including a time before 7th April 1965, any of the persons having control of a close company, or any person who is connected with a person having control of a close company, has transferred assets to the company, and
 - (b) paragraph 16 above applies in relation to a disposal by one of the persons having control of the company of shares or securities in the company, or in relation to a disposal by a person having, up to the time of disposal, a substantial holding of shares or securities in the company, being in either case a disposal after the transfer of the assets.
- (2) So far as the gain accruing to the said person on the disposal of the shares is attributable to a profit on the assets so transferred, the period over which the gain is to be treated under paragraph 16 above as growing at a uniform rate shall begin with the time when the assets were transferred to the company, and accordingly a part of a gain attributable to a profit on assets transferred on or after 6th April 1965 shall all be a chargeable gain.
- (3) This paragraph shall not apply where a loss, and not a gain, accrues on the disposal.

[^{F4}Spouses and civil partners]

Textual Amendments

- F4** Words in Sch. 2 para. 22 cross-heading substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **124(b)(ii)**

- 22 Where section 58 is applied in relation to a disposal of an asset by [^{F5}an individual to his spouse or civil partner], then in relation to a subsequent disposal of the asset (not within that section) the one making the disposal shall be treated for the purposes

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of this Schedule as if the other's acquisition or provision of the asset had been his or her acquisition or provision of it.

Textual Amendments

- F5** Words in Sch. 2 para. 22 substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **124(b)(i)**

Compensation and insurance money

- 23 Where section 23(4)(a) applies to exclude a gain which, in consequence of this Schedule, is not all chargeable gain, the amount of the reduction to be made under section 23(4)(b) shall be the amount of the chargeable gain and not the whole amount of the gain; and in section 23(5)(b) for the reference to the amount by which the gain is reduced under section 23(5)(a) there shall be substituted a reference to the amount by which the chargeable gain is proportionately reduced under section 23(5)(a).

Status:

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