

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

## SCHEDULES

### SCHEDULE 13

Section 102.

#### DISCOUNTED SECURITIES: INCOME TAX PROVISIONS

##### *Charge to tax on realised profit comprised in discount*

- 1 (1) Where a person realises the profit from the discount on a relevant discounted security, he shall be charged to income tax on that profit under Case III of Schedule D or, where the profit arises from a security out of the United Kingdom, under Case IV of that Schedule.
- (2) For the purposes of this Schedule a person realises the profit from the discount on a relevant discounted security where—
- (a) he transfers such a security or becomes entitled, as the person holding the security, to any payment on its redemption; and
  - (b) the amount payable on the transfer or redemption exceeds the amount paid by that person in respect of his acquisition of the security.
- (3) For the purposes of this Schedule the profit shall be taken—
- (a) to be equal to the amount of the excess reduced by the amount of any relevant costs; and
  - (b) to arise, for the purposes of income tax, in the year of assessment in which the transfer or redemption takes place.
- (4) In this paragraph “relevant costs”, in relation to a security that is transferred or redeemed, are all the following costs—
- (a) the costs incurred in connection with the acquisition of the security by the person making the transfer or, as the case may be, the person entitled to a payment on the redemption; and
  - (b) the costs incurred by that person in connection with the transfer or redemption of the security;
- and for the purposes of this Schedule costs falling within paragraph (a) above shall not be regarded as amounts paid in respect of the acquisition of a security.

##### *Realised losses on discounted securities*

- 2 (1) Subject to the following provisions of this Schedule, where—
- (a) a person sustains a loss in any year of assessment from the discount on a relevant discounted security, and
  - (b) makes a claim for the purposes of this paragraph before the end of twelve months from the 31st January next following that year of assessment,
- that person shall be entitled to relief from income tax on an amount of the claimant's income for that year equal to the amount of the loss.

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
**Changes to legislation:** *There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

- (2) For the purposes of this Schedule a person sustains a loss from the discount on a relevant discounted security where—
- (a) he transfers such a security or becomes entitled, as the person holding the security, to any payment on its redemption; and
  - (b) the amount paid by that person in respect of his acquisition of the security exceeds the amount payable on the transfer or redemption.
- (3) For the purposes of this Schedule the loss shall be taken—
- (a) to be equal to the amount of the excess increased by the amount of any relevant costs; and
  - (b) to be sustained for the purposes of this Schedule in the year of assessment in which the transfer or redemption takes place.
- (4) Sub-paragraph (4) of paragraph 1 above applies for the purposes of this paragraph as it applies for the purposes of that paragraph.

*Meaning of “relevant discounted security”*

- 3 <sup>F1</sup>(1) Subject to the following provisions of this paragraph and paragraph 14(1) below, in this Schedule “relevant discounted security” means any security which (whenever issued) is such that, taking the security as at the time of its issue, the amount payable on redemption—
- (a) on maturity, or
  - (b) in the case of a security of which there may be a redemption before maturity, on at least one of the occasions on which it may be redeemed,
- is or would be an amount involving a deep gain, or might be an amount which would involve a deep gain.
- <sup>F1</sup>(1A) The occasions that are to be taken into account for the purpose of determining whether a security is a relevant discounted security by virtue of sub-paragraph (1)(b) above shall not include any of the following occasions on which it may be redeemed, that is to say—
- (a) any occasion not falling within sub-paragraph (1C) below on which there may be a redemption otherwise than at the option of the person who holds the security;
  - (b) in a case where a redemption may occur as a result of the exercise of an option that is exercisable—
    - (i) only on the occurrence of an event adversely affecting the holder, or
    - (ii) only on the occurrence of a default by any person,
 any occasion on which that option is unlikely (judged as at the time of the security’s issue) to be exercisable;
- but nothing in this sub-paragraph shall require an occasion on which a security may be redeemed to be disregarded by reason only that it is or may be an occasion that coincides with an occasion mentioned in this sub-paragraph.
- <sup>F1</sup>(1B) In sub-paragraph (1A) above “event adversely affecting the holder”, in relation to a security, means an event which (judged as at the time of the security’s issue) is such that, if it occurred and there were no provision for redemption, the interests of the person holding the security at the time of the event would be likely to be adversely affected.

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
**Changes to legislation:** There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)

---

- <sup>F1</sup>(1C) An occasion on which there may be a redemption of a security falls within this sub-paragraph if—
- (a) the security is a security issued to a person connected with the issuer; or
  - (b) the obtaining of a tax advantage by any person is the main benefit, or one of the main benefits, that might have been expected to accrue from the provision in accordance with which it may be redeemed on that occasion.
- <sup>F1</sup>(1D) In sub-paragraph (1C) above “tax advantage” has the meaning given by section 709(1) of the Taxes Act 1988.
- <sup>F1</sup>(1E) Subject to sub-paragraph (1F) below, where a security which is not a relevant discounted security but which would have been such a security if it had been issued to a person connected with the issuer—
- (a) is acquired by a person who is so connected, or
  - (b) is held by a person who becomes so connected,
- this Schedule shall have effect, in relation to times falling at or after the time of the acquisition or, as the case may be, the time when that person became so connected, as if the security were a relevant discounted security.
- <sup>F1</sup>(1F) Where a security which—
- (a) is a relevant discounted security, but
  - (b) would not be such a security but for sub-paragraph (1C)(a) or (1E) above,
- is acquired by a person who is not connected with the issuer, this Schedule shall have effect, in relation to that person, as if the security ceased to be a relevant discounted security at the time of the acquisition.]
- (2) The following are not relevant discounted securities for the purposes of this Schedule—
- (a) shares in a company;
  - (b) gilt-edged securities that are not strips;
  - (c) excluded indexed securities;
  - (d) life assurance policies;
  - (e) capital redemption policies (within the meaning of Chapter II of Part XIII of the Taxes Act 1988); and
  - (f) subject to paragraph 10 below, securities issued (at whatever time) under the same prospectus as other securities which have been issued previously but (disregarding that paragraph) are not themselves relevant discounted securities.
- [<sup>F2</sup>(2A) Nothing in sub-paragraph (2)(c) above shall prevent a security that would have been a relevant discounted security if it had been issued to a person connected with the issuer from being treated as a relevant discounted security by virtue of sub-paragraph (1E) above.
- <sup>F2</sup>(2B) Nothing in sub-paragraph (2)(f) above shall prevent a security from being treated as a relevant discounted security by virtue of sub-paragraph (1C)(a) or (1E) above.]
- (3) For the purposes of this Schedule the amount payable on redemption of a security involves a deep gain if—
- (a) the issue price is less than the amount so payable; and
  - (b) the amount by which it is less represents more than the relevant percentage of the amount so payable.

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

- (4) In this paragraph “the relevant percentage”, in relation to the amount payable on redemption of a security, means—
- (a) the percentage figure equal, in a case where the period between the date of issue and the date of redemption is less than thirty years, to one half of the number of years between those dates; and
  - (b) in any other case, 15 per cent.;
- and for the purposes of this paragraph the fraction of a year to be used for the purposes of paragraph (a) above in a case where the period mentioned in that paragraph is not a number of complete years shall be calculated by treating each complete month, and any remaining part of a month, in that period as one twelfth of a year.
- [<sup>F3</sup>(5) References in this paragraph to redemption—
- (a) do not include references to any redemption which may be made before maturity otherwise than at the option of the holder of the security; but
  - (b) in the case of a security that is capable of redemption at the option of the holder before maturity, shall have effect as references to the earliest occasion on which the holder of the security may require the security to be redeemed.]

(6) For the purposes of this paragraph the amount payable on redemption shall not be taken to include any amount payable on that occasion by way of interest.

[<sup>F4</sup>(7) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of this paragraph.

<sup>F4</sup>(8) In determining for the purposes of sub-paragraph (1C), (1E), (1F) or (2A) above whether a person is or becomes connected with the issuer, no account shall be taken of—

    - (a) the security mentioned in that sub-paragraph; or
    - (b) any security issued under the same prospectus as that security.]

#### Textual Amendments

- F1** Sch. 13 para. 3(1)(1A)-(1F) substituted (27.7.1999 with effect as mentioned in s. 65(8)-(12) of the amending Act) for Sch. 13 para. 3(1) by 1999 c. 16, s. 65(1)
- F2** Sch. 13 para. 3(2A)(2B) inserted (27.7.1999 with effect as mentioned in s. 65(8)-(12) of the amending Act) by 1999 c. 16, s. 65(2)
- F3** Sch. 13 para. 3(5) repealed (27.7.1999 with effect as mentioned in s. 65(8)-(12) of the amending Act) by 1999 c. 16, ss. 65(3), 139, Sch. 20 Pt. III(16), Note
- F4** Sch. 13 para. 3(7)(8) inserted (27.7.1999 with effect as mentioned in s. 65(8)-(12) of the amending Act) by 1999 c. 16, s. 65(4)

*[<sup>F5</sup>Issue price etc of securities issued in accordance with qualifying earn-out right*

#### Textual Amendments

- F5** Sch. 13 para. 3A and cross-heading inserted (retrospectively) by Finance Act 2002 (c. 23), s. 104(2)(4)

- 3A (1) This paragraph applies where a security is issued to a person in accordance with the terms of a qualifying earn-out right.

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
**Changes to legislation:** There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)

---

- (2) In any such case the issue price of the security shall be taken for the purposes of this Schedule to be the sum of—
- (a) the market value, immediately before the issue of the security, of the right to be issued with the security in accordance with the terms of the qualifying earn-out right, and
  - (b) any amount payable for the issue of the security in accordance with those terms,
- and any reference in this Schedule to the amount paid by the person in respect of his acquisition of the security shall be taken as a reference to that sum.
- (3) For the purposes of this paragraph a “qualifying earn-out right” is so much of any right conferred on a person as—
- (a) constitutes the whole or any part of the consideration for the transfer by him of shares in or debentures of a company or for the transfer of the whole or part of a business or interest in a business carried on by him or by him and others in partnership;
  - (b) consists in either a right to be issued with securities of another company or a right which is capable of being discharged in accordance with its terms by the issue of such securities; and
  - (c) is such that the value of the consideration mentioned in paragraph (a) above is unascertainable at the time when the right is conferred.]

*Meaning of “transfer”*

- 4 (1) Subject to sub-paragraph (2) below, in this Schedule references to a transfer, in relation to a security, are references to any transfer of the security by way of sale, exchange, gift or otherwise.
- (2) Where an individual who is entitled to a relevant discounted security dies, then for the purposes of this Schedule—
- (a) he shall be treated as making a transfer of the security immediately before his death;
  - (b) he shall be treated as obtaining in respect of the transfer an amount equal to the market value of the security at the time of the transfer; and
  - (c) his personal representatives shall be treated as acquiring the security for that amount on his death.
- (3) For the purposes of this Schedule a transfer or acquisition of a security made in pursuance of an agreement shall be deemed to take place at the time when the agreement is made, if the person to whom the transfer is made, or who makes the acquisition, becomes entitled to the security at that time.
- (4) If an agreement is conditional, whether on the exercise of an option or otherwise, it shall be taken for the purposes of this paragraph to be made when the condition is satisfied (whether by the exercise of the option or otherwise).
- (5) This paragraph is without prejudice to paragraph 14(2) to (4) below.

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
**Changes to legislation:** *There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

*Redemption to include conversion*

- 5 (1) This paragraph applies where a relevant discounted security is extinguished by being converted, in pursuance of rights conferred by the security, into shares in a company or into any other securities (including other relevant discounted securities).
- (2) For the purposes of this Schedule the conversion shall be deemed—
- (a) to constitute the redemption of the security which is extinguished; and
  - (b) to involve a payment on redemption of an amount equal to whatever, at the time of the conversion, is the market value of the shares or other securities into which the security in question is converted.
- (3) This paragraph does not apply to an exchange to which paragraph 14 below applies.

*Trustees and personal representatives*

- 6 (1) Where, on a transfer or redemption of a security by trustees, an amount is treated as income chargeable to tax by virtue of this Schedule—
- (a) that amount shall be taken for the purposes of Chapters IA and IB of Part XV of the Taxes Act 1988 (settlements: liability of settlor etc.) to be income arising—
    - (i) under the settlement of which the trustees are trustees; and
    - (ii) from that security;
  - (b) that amount shall be taken for the purposes of Chapter IC of Part XV of that Act (settlements: liability of trustees) to be income arising to the trustees; and
  - (c) to the extent that tax on that amount is charged on the trustees, the rate at which it is chargeable shall be taken (where it would not otherwise be the case) to be the rate applicable to trusts for the year of assessment in which the transfer or redemption is made.
- (2) Where the trustees are trustees of a scheme to which section 469 of the Taxes Act 1988 (unauthorised unit trusts) applies, sub-paragraph (1) above shall not apply if or to the extent that the amount is treated as income in the accounts of the scheme.
- (3) Without prejudice to paragraph 12 below, paragraphs 1(1) and 2(1) above do not apply in the case of—
- (a) any transfer of a security for the time being held under a settlement the trustees of which are not resident in the United Kingdom; or
  - (b) any redemption of a security which is so held immediately before its redemption.
- (4) Relief shall not be given to trustees under paragraph 2 above except from income tax on income chargeable under paragraph 1 above.
- (5) Sub-paragraph (6) below applies where, in the case of any trustees, the amount mentioned in paragraph (a) below exceeds in any year of assessment the amount mentioned in paragraph (b) below, that is to say—
- (a) the aggregate amount of the losses in respect of which relief from income tax may be given to the trustees for that year under paragraph 2 above (including any amount treated as such a loss by virtue of that sub-paragraph); and
  - (b) the income of those trustees chargeable for that year to tax under paragraph 1 above.

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

- (6) Subject to paragraph 7(2) below, the excess shall for the purposes of this Schedule be—
- (a) carried forward to the immediately following year of assessment; and
  - (b) in relation to the year to which it is carried forward, treated as if it were a loss sustained in that year by the trustees from a discount on a relevant discounted security.
- (7) Where a relevant discounted security is transferred by personal representatives to a legatee, they shall be treated for the purposes of this Schedule as obtaining in respect of the transfer an amount equal to the market value of the security at the time of the transfer.
- (8) In this paragraph “legatee” includes any person taking (whether beneficially or as trustee) under a testamentary disposition or on an intestacy or partial intestacy, including any person taking by virtue of an appropriation by the personal representatives in or towards satisfaction of a legacy or other interest or share in the deceased’s property.

*Treatment of losses where income exempt*

- 7 (1) Where—
- (a) on the transfer or redemption of any relevant discounted security, a loss is sustained from the discount on that security, and
  - (b) if the person sustaining that loss had realised a profit from that discount on that transfer or redemption, the profit would have been an exempt profit for the year of assessment in which the loss is sustained,
- relief shall not be given to that person under paragraph 2 above in respect of that loss except from income tax on income chargeable for that year under paragraph 1 above.
- (2) No part of any loss to which sub-paragraph (1) above applies shall be carried forward under paragraph 6(6) above.
- (3) The reference in sub-paragraph (1) above to an exempt profit for a year of assessment is a reference to any income for that year which—
- (a) is eligible for relief from tax by virtue of section 505(1) of the Taxes Act 1988, or would be so eligible but for section 505(3) of that Act (charities); or
  - (b) is eligible for relief from tax by virtue of section 592(2), 608(2)(a), 613(4), 614(2), (3), (4) or (5), 620(6) or 643(2) of that Act (pension scheme funds etc.).
- (4) Where a loss to which sub-paragraph (1) above applies is sustained in a case in which the profit mentioned in paragraph (b) of that sub-paragraph would be eligible for relief under section 592(2) of the Taxes Act 1988—
- (a) relief shall be given under paragraph 2 above in accordance with sub-paragraph (1) above before any computation is made under paragraph 7 of Schedule 22 to that Act, and
  - (b) that paragraph 7 shall have effect, accordingly, so that the amount of income to which the specified percentage is applied by virtue of sub-paragraph (3) (a) of that paragraph is reduced by the amount of the relief.

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

*Transfers between connected persons*

- 8 (1) This paragraph applies where a relevant discounted security is transferred from one person to another and they are connected with each other.
- (2) For the purposes of this Schedule—
- (a) the person making the transfer shall be treated as obtaining in respect of it an amount equal to the market value of the security at the time of the transfer; and
  - (b) the person to whom the transfer is made shall be treated as paying in respect of his acquisition of the security an amount equal to that market value.
- (3) Section 839 of the Taxes Act 1988 (connected persons) shall apply for the purposes of this paragraph.

*Other transactions deemed to be at market value*

- 9 (1) This paragraph applies where a relevant discounted security is transferred from one person to another in a case in which—
- (a) the transfer is made for a consideration which consists of or includes consideration not in money or money's worth; or
  - (b) the transfer is made otherwise than by way of a bargain made at arm's length.
- (2) For the purposes of this Schedule—
- (a) the person making the transfer shall be treated as obtaining in respect of it an amount equal to the market value of the security at the time of the transfer, and
  - (b) the person to whom the transfer is made shall be treated as paying in respect of his acquisition of the security an amount equal to that market value.

VALID FROM 24/07/2002

*<sup>F6</sup>Securities issued to connected person etc at price in excess of market value: transfer to connected person*

**Textual Amendments**

**F6** Sch. 13 para. 9A and preceding cross-heading inserted (24.7.2002 with effect in relation to transfers on and after 26.3.2002) by Finance Act 2002 (c. 23), s. 104(3)(5)

- 9A (1) Where a relevant discounted security is transferred by a person (“the relevant person”) to a person connected with him and—
- (a) the occasion of the relevant person's acquisition of the security was its issue to him,
  - (b) the relevant person was, at the time of issue, connected with the issuer or the conditions in sub-paragraph (2) below are satisfied, and
  - (c) the amount paid by the relevant person in respect of his acquisition of the security exceeds the market value of the security at the time of issue,
- the relevant person shall be taken for the purposes of this Schedule not to sustain a loss from the discount on the relevant discounted security.



---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

- (2) The conditions mentioned in sub-paragraph (1)(b) above are that—
- (a) the security is a security issued by a close company;
  - (b) at the time of issue, the relevant person was not connected with the company;
  - (c) securities of the same kind as that issued to him were also issued to other persons; and
  - (d) he and some or all of those other persons, taken together, controlled the company.
- (3) In sub-paragraph (2)(d) above, “control” shall be construed in accordance with section 416 of the Taxes Act 1988.
- (4) For the purposes of this section, section 414 of the Taxes Act 1988 (meaning of “close company” in the Tax Acts) shall have effect with the omission of subsection (1)(a)(exclusion of companies not resident in the United Kingdom).
- (5) Section 839 of the Taxes Act 1988 (connected persons) shall apply for the purposes of this paragraph.]

*Issue of securities in separate tranches*

- 10 (1) In a case where—
- (a) none of the securities issued on the occasion of the original issue of securities under a particular prospectus would be a relevant discounted security apart from this paragraph,
  - (b) some of the securities subsequently issued under the prospectus would be relevant discounted securities apart from paragraph 3(2)(f) above, and
  - (c) there is a time (whether before, at or after the beginning of the year 1996-97) when the aggregate nominal value as at that time of the securities falling within paragraph (b) above exceeds the aggregate nominal value as at that time of the securities which have been issued under the prospectus and do not fall within that paragraph,
- sub-paragraph (2) below shall apply in relation to every security which has been or is issued under the prospectus at any time (whether before, at or after the time mentioned in paragraph (c) above).
- (2) As regards any event occurring in relation to the security after the time mentioned in sub-paragraph (1)(c) above, this Schedule shall have effect as if the security—
- (a) were a relevant discounted security; and
  - (b) had been acquired as such (whatever the time of its acquisition).
- (3) For the purposes of sub-paragraph (2) above events, in relation to a security, include anything constituting a transfer, redemption or acquisition for the purposes of this Schedule.
- [<sup>F7</sup>(4) For the purpose of determining whether a security held by a person who is not connected with the issuer is a relevant discounted security by virtue of this paragraph, a security which—
- (a) is a relevant discounted security, but
  - (b) would not be such a security but for paragraph 3(1C)(a) or (1E) above,
- shall be assumed not to be a security falling within sub-paragraph (1)(b) above.]

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

### Textual Amendments

- F7** Sch. 13 para. 10(4) inserted (27.7.1999 with effect as mentioned in s. 65(8)-(12) of the amending Act) by 1999 c. 16, s. 65(5)

#### *Accrued income scheme*

- 11 In a case where—
- (a) paragraph 1 or 2 above applies on the transfer of any security, and
  - (b) apart from this paragraph, the transfer would be a transfer for the purposes of sections 710 to 728 of the Taxes Act 1988,
- the transfer shall be treated as if it were not a transfer for those purposes.

#### *Assets transferred abroad*

- 12 For the purposes of sections 739 and 740 of the Taxes Act 1988 (prevention of avoidance of tax by transfer of assets abroad), where a person resident or domiciled outside the United Kingdom realises a profit from the discount on a relevant discounted security, that profit shall be taken to be income of that person.

#### *Excluded indexed securities*

- 13 (1) For the purposes of this Schedule a security is an excluded indexed security if the amount payable on redemption is linked to the value of chargeable assets.
- (2) For the purposes of this paragraph an amount is linked to the value of chargeable assets if, in pursuance of any provision having effect for the purposes of the security, it is equal to an amount determined by applying a relevant percentage change in the value of chargeable assets to the amount for which the security was issued.
- (3) In sub-paragraph (2) above the reference to a relevant percentage change in the value of chargeable assets is a reference to the amount of the percentage change (if any) over the relevant period in the value of chargeable assets of any particular description or in any index of the value of any such assets.
- (4) In sub-paragraph (3) above “the relevant period” means—
- (a) the period between the time of the issue of the security and its redemption; or
  - (b) any other period in which almost all of that period is comprised and which differs from that period exclusively for purposes connected with giving effect to a valuation in relation to rights or liabilities under the security.
- (5) If—
- (a) there is a provision which, in the case of the amount payable on the redemption of any security, falls within sub-paragraph (2) above,
  - (b) that provision is made subject to any other provision applying to the determination of that amount,
  - (c) that other provision is to the effect only that that amount must not be less than a specified percentage of the amount for which the security is issued, and
  - (d) the specified percentage is not more than 10 per cent.,

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

that other provision shall be disregarded in determining for the purposes of this paragraph whether the amount payable on redemption is linked to the value of chargeable assets.

- (6) For the purposes of this paragraph an asset is a chargeable asset in relation to any security if any gain accruing to a person on a disposal of that asset would, on the assumptions specified in sub-paragraph (7) below, be a chargeable gain for the purposes of the <sup>M1</sup>Taxation of Chargeable Gains Act 1992.
- (7) Those assumptions are—
- (a) where it is not otherwise the case, that the asset is an asset of the person in question and that that person does not have the benefit of any exemption conferred by section 100 of that Act of 1992 (exemption for authorised unit trusts etc.);
  - (b) that the asset is not one the disposal of which by that person would fall to be treated for the purposes of income tax as a disposal in the course of a trade, profession or vocation carried on by that person; and
  - (c) that chargeable gains that might accrue under section 116(10) of that Act are to be disregarded.
- (8) For the purposes of this paragraph neither—
- (a) the retail prices index, nor
  - (b) any similar general index of prices published by the government of any territory or by the agent of any such government,
- shall be taken to be an index of the value of chargeable assets.
- [<sup>F8</sup>(9) In this paragraph references to redemption, in relation to a security, do not include references to redemption of the security on any such occasion as, by reason of sub-paragraph (1A) of paragraph 3 above, is not to be taken into account for the purpose of determining whether the security is a relevant discounted security by virtue of sub-paragraph (1)(b) of that paragraph.]

---

**Textual Amendments**

**F8** Sch. 13 para. 13(9) inserted (27.7.1999 with effect as mentioned in s. 65(8)-(12) of the amending Act) by 1999 c. 16, s. 65(6)

---

**Marginal Citations**

**M1** 1992 c. 12.

*Gilt strips*

- 14 (1) Every strip is a relevant discounted security for the purposes of this Schedule.
- (2) For the purposes of this Schedule, where a person exchanges a gilt-edged security for strips of that security, the person who receives the strips in the exchange shall be deemed to have paid, in respect of his acquisition of each strip, the amount which bears the same proportion to the market value of the security as is borne by the market value of the strip to the aggregate of the market values of all the strips received in exchange for the security.

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

- (3) For the purposes of this Schedule, where strips are consolidated into a single gilt-edged security by being exchanged by any person for that security, each of the strips shall be deemed to have been redeemed at the time of the exchange by the payment to that person of the amount equal to its market value.
- (4) A person who holds a strip on the 5th April in any year of assessment, and who (apart from this sub-paragraph) does not transfer or redeem it on that day, shall be deemed for the purposes of this Schedule—
- (a) to have transferred that strip on that day;
  - (b) to have received in respect of that transfer an amount equal to the strip's market value on that day; and
  - (c) to have re-acquired the strip on the next day on payment of an amount equal to the amount for which it is deemed to have been disposed of on the previous day;
- and the deemed transfer and re-acquisition shall be assumed for the purposes of paragraphs 1 and 2 above to be transactions in connection with which no relevant costs are incurred.
- (5) Without prejudice to the generality of any power conferred by section 202 of this Act, the Treasury may by regulations provide that this Schedule is to have effect with such modifications as they may think fit in relation to any relevant discounted security which is a strip.
- (6) Regulations made by the Treasury under this paragraph may—
- (a) make provision for the purposes of sub-paragraphs (2) to (4) above as to the manner of determining the market value at any time of any security;
  - (b) make different provision for different cases; and
  - (c) contain such incidental, supplemental, consequential and transitional provision as the Treasury may think fit.
- (7) References in sub-paragraphs (2) and (3) above to the market value of a security given or received in exchange for another are references to its market value at the time of the exchange.

#### *General interpretation*

- 15 (1) In this Schedule—
- “deep gain” shall be construed in accordance with paragraph 3(3) above;
- “excluded indexed security” has the meaning given by paragraph 13 above;
- “market value” (except in paragraph 14 above) has the same meaning as in the <sup>M2</sup>Taxation of Chargeable Gains Act 1992;
- “relevant discounted security” has the meaning given by paragraphs 3 and 14(1) above;
- “strip” means anything which, within the meaning of section 47 of the <sup>M3</sup>Finance Act 1942, is a strip of a gilt-edged security.
- (2) Where a person, having acquired and transferred any security, subsequently re-acquires it, references in this Schedule to his acquisition of the security shall have effect, in relation to—
- (a) the transfer by him of that security, or

---

*Status: Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.*  
*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13. (See end of Document for details)*

---

(b) the redemption of the security in a case where he becomes entitled to any amount on its redemption,  
as references to his most recent acquisition of the security before the transfer or redemption in question.

**Marginal Citations**

**M2** 1992 c. 12.  
**M3** 1942 c. 21.

*Application of Schedule for income tax purposes only*

- 16 (1) This Schedule does not apply for the purposes of corporation tax.
- (2) Sub-paragraph (1) above is without prejudice to any enactment not contained in this Schedule by virtue of which the definition of a relevant discounted security, or any other provision of this Schedule, is applied for the purposes of corporation tax.

**Status:**

Point in time view as at 06/09/1999. This version of this schedule contains provisions that are not valid for this point in time.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 13.