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*Status: Point in time view as at 27/07/1999. 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 15. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 15

Section 105.

#### LOAN RELATIONSHIPS: SAVINGS AND TRANSITIONAL PROVISIONS

#### PART I

#### CORPORATION TAX

#### *Application and interpretation of Part I*

- 1 (1) This Part of this Schedule has effect for the purposes of corporation tax.
- (2) In this Part of this Schedule—
- “the 1992 Act” means the <sup>M1</sup>Taxation of Chargeable Gains Act 1992;
- “continuing loan relationship”, in relation to any company, means any loan relationship to which the company was a party both immediately before and on 1st April 1996;
- “first relevant accounting period”, in relation to a company, means the first accounting period of the company to end after 31st March 1996; and
- “transitional accounting period”, in relation to a company, means any accounting period of the company beginning before and ending on or after 1st April 1996.
- (3) Any question as to whether, or to what extent, credits or debits falling to be brought into account for the purposes of this Chapter by virtue of this Part of this Schedule are referable to any category of an insurance company’s long term business shall be determined according to any apportionment in relation to the loan relationship in question which is made for the company’s first relevant accounting period.
- (4) In this Part of this Schedule references to this Chapter include references to any repeals having effect for the purposes of this Chapter.

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#### **Marginal Citations**

**M1** 1992 c. 12.

#### *Loan relationships terminated before 1st April 1996*

- 2 Subject to paragraph 13(6) below, the amounts which are to be brought into account for the purposes of corporation tax in any transitional accounting period of a company by reference to any loan relationship to which it was a party only at a time before 1st April 1996—

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- (a) shall not be computed in accordance with this Chapter; but
- (b) shall, instead, be computed as they would be for an accounting period ending on 31st March 1996.

*Basic rules for transitional accounting periods*

- 3 (1) This paragraph applies as respects any continuing loan relationship of a company.
- (2) In a transitional accounting period an amount accruing before 1st April 1996 in respect of a continuing loan relationship (whether it accrues as a right or liability) shall be brought into account for the purposes of this Chapter in accordance with an authorised accruals basis of accounting only if it is an amount accruing as interest.
- (3) In a transitional accounting period an amount becoming due and payable before 1st April 1996 in respect of a continuing loan relationship shall be brought into account for the purposes of this Chapter in accordance with an authorised mark to market basis of accounting only if it is an amount becoming so due and payable as interest.
- (4) Except where sub-paragraph (6) below applies and subject to the following provisions of this Part of this Schedule, any opening valuation that is to be made for the purpose of bringing amounts into account for the purposes of this Chapter in a transitional accounting period on a mark to market basis of accounting shall be made as at 1st April 1996, instead of as at any earlier time.
- (5) Where any opening valuation is made in accordance with sub-paragraph (4) above for any transitional accounting period—
- (a) that valuation, and
  - (b) any closing valuation made as at the end of that period for the purposes mentioned in that sub-paragraph,
- shall each be made disregarding any amount of interest that has accrued in respect of any part of that period.

[<sup>F1</sup>(5A) Where—

- (a) sub-paragraph (5) above applies for determining the closing value of a continuing loan relationship of a company for a transitional accounting period ending on or after 14th November 1996, and
- (b) an opening valuation of that relationship falls to be made, as at the beginning of the immediately following accounting period, for the purpose of bringing amounts into account in that company's case on a mark to market basis of accounting,

the opening value given by that opening valuation shall be taken to be the same as the closing value given in accordance with that sub-paragraph.]

- (6) This sub-paragraph applies in the case of a continuing loan relationship if, apart from this Chapter—
- (a) a mark to market basis of accounting would have been used, in the case of the relationship, for the purpose of bringing amounts into account in the transitional accounting period; and
  - (b) on that basis, an opening valuation as respects the relationship would have fallen to be made for that purpose as at a time before 1st April 1996.
- (7) Notwithstanding anything in sub-paragraph (2) or (3) above, where—

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- (a) there is an amount that accrued or became due and payable before 1st April 1996 in respect of a continuing loan relationship of a company,
- (b) that amount is not interest, and
- (c) that amount would, apart from this Chapter, have been brought into account for the purposes of corporation tax in the accounting period in which it accrued or, as the case may be, became due and payable,

that amount shall be brought into account in that period for the purposes of corporation tax to the same extent as it would have been so brought into account apart from this Chapter and shall not otherwise be brought into account by virtue of the application in relation to times on or after 1st April 1996 of any authorised accounting method.

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**Textual Amendments**

- F1** Sch. 15 para. 5(3A) inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 2

*<sup>F2</sup> Adjustment of opening value where new accounting basis adopted as from an accounting period beginning on 1st April 1996*

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**Textual Amendments**

- F2** Sch. 15 para. 3A and crossheading inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 3

<sup>F3</sup>3A (1) This paragraph applies in the case of a continuing loan relationship of a company where—

- (a) the company's first relevant accounting period begins on 1st April 1996;
- (b) in that period amounts are brought into account for the purposes of this Chapter in respect of the relationship on a mark to market basis of accounting;
- (c) amounts falling to be brought into account in respect of the relationship for the purposes of corporation tax in the accounting period ending with 31st March 1996 were or (if there had been any) would have been so brought into account otherwise than on a mark to market basis of accounting; and
- (d) an opening valuation of the relationship falls to be made, as at the beginning of the accounting period immediately following the first relevant accounting period, for the purpose of bringing amounts into account on a mark to market basis of accounting.

(2) Where this paragraph applies in the case of a continuing loan relationship of a company, the opening valuation mentioned in sub-paragraph (1)(d) above shall be made disregarding any amount of interest that has accrued in the company's first relevant accounting period or in any of its accounting periods preceding that period.]

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**Textual Amendments**

- F3** Sch. 15 para. 3A and crossheading inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 3

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*Application of accruals basis to pre-commencement relationships*

- 4 Subject to the following provisions of this Schedule, any question for the purposes of this Chapter as to the amounts which are to be treated (in accordance with an authorised accruals basis of accounting) as accruing to a company on or after 1st April 1996 shall be determined by applying that basis of accounting for determining, first, what amounts had accrued before that date.

*Adjustments in respect of pre-commencement trading relationships*

- 5 (1) This paragraph applies in the case of any continuing loan relationship of a company as respects which any amounts would have been brought into account for the purposes of corporation tax in computing the profits or losses of the company from any trade carried on by it if—
- (a) the company had ceased to be a party to the relationship on 31st March 1996; and
  - (b) where it is not otherwise the case, an accounting period of the company had ended on that date.
- (2) Where there is a difference between—
- (a) the notional closing value of the relationship as at 31st March 1996, and
  - (b) the adjusted closing value of that relationship as at that date,
- that difference shall be brought into account as provided for in paragraph 6 below.
- (3) Except where sub-paragraph (4) or (6) below applies, the notional closing value as at 31st March 1996 of a loan relationship of a company shall be taken for the purposes of this paragraph to be the amount which, for the purposes of computing the profits or losses of the company from any trade carried on by it—
- (a) was as at that date, or
  - (b) had an accounting period of the company ended on that date, would have been,
- the amount falling to be brought into account as representing the value of the company's rights or liabilities under the relationship.
- (4) Except where sub-paragraph (6) below applies, if no amount is given by sub-paragraph (3) above, the notional closing value as at 31st March 1996 of a loan relationship of a company shall be taken for the purposes of this paragraph to be the amount which, for the purposes of computing the profits or losses of the company from any trade carried on by it, would have been deductible as representing the cost of becoming a party to the relationship if the company had ceased to be a party to the relationship on 31st March 1996.
- [<sup>F4</sup>(4A) In sub-paragraph (4) above the reference, in relation to a creditor relationship, to the amount deductible as representing the cost of a company's becoming a party to the relationship shall not, except where sub-paragraph (4B) or (4C) below applies, include a reference to so much of that amount as would represent the cost of acquiring any right to accrued interest under the loan relationship.
- (4B) This sub-paragraph applies where—
- (a) the company became a party to the relationship before the beginning of its first relevant accounting period,

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- (b) interest accruing under the relationship before the company became a party to it was paid to the company after it became a party to it but before the beginning of the company's first relevant accounting period, and
  - (c) the interest under the relationship which, in the case of that company, has been brought into account for the purposes of corporation tax has included interest accruing under the relationship before the company became a party to it but paid afterwards.
- (4C) This sub-paragraph applies where—
- (a) the company became a party to the loan relationship in a transitional accounting period, and
  - (b) in the case of that company, interest under the relationship which—
    - (i) accrued before the company became a party to the relationship, but
    - (ii) became due and payable afterwards,is brought into account for the purposes of this Chapter in accordance with an authorised mark to market basis of accounting.]
- (5) Except where sub-paragraph (6) below applies, the adjusted closing value of that relationship as at that date shall be taken for the purposes of this paragraph to be the amount which for the purposes of this Chapter is the opening value as at 1st April 1996 of the company's rights and liabilities under the relationship.
- (6) For the purposes of this paragraph where the asset representing a loan relationship of a company is a relevant qualifying asset of the company, or the liabilities of the company under the relationship are relevant liabilities—
- (a) the notional closing value of the relationship as at 31st March 1996 shall be taken for the purposes of this paragraph to be the value given by paragraph 12 below as the notional closing value as at 31st March 1996 of that asset or, as the case may be, of those liabilities; and
  - (b) the adjusted closing value of the relationship as at 31st March 1996 shall be taken for those purposes to be the amount which is as at 1st April 1996 the opening value of the asset or liabilities for the purposes of this Chapter.
- (7) For the purposes of this paragraph, where an accruals basis of accounting is used as respects a loan relationship for the first relevant accounting period of the company, the opening value as at 1st April 1996 of the company's rights and liabilities under the relationship shall be taken to be the value which (disregarding interest) is treated in accordance with paragraph 4 above as having accrued to the company before that date.
- (8) In this paragraph—
- “attributed amount” means any attributed gain or loss falling to be calculated in accordance with any regulations made under Schedule 16 to the <sup>M2</sup>Finance Act 1993 (transitional provisions for exchange gains and losses) which contain any such provision as is mentioned in paragraph 3(1) of that Schedule;
  - “commencement day”, in relation to a company, means its commencement day for the purposes of Chapter II of Part II of the <sup>M3</sup>Finance Act 1993;
  - “market value” has the same meaning as in the 1992 Act;

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“relevant liability”, in relation to a company, means any liability under a loan relationship the value of which has been determined as at the company’s commencement day for the purpose of calculating any attributed amount;

“relevant qualifying asset”, in relation to a company, means any qualifying asset for the purposes of Chapter II of Part II of the <sup>M4</sup>Finance Act 1993 the value of which has been determined as at the company’s commencement day for the purpose of calculating any attributed amount.

#### Textual Amendments

**F4** Sch. 15 para. 5(4A)-(4C) inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), **Sch. 13 para. 4**

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

**C1** Sch. 15 para. 5(7) applied (with modifications) (24.7.2002) by Finance Act 2002 (c. 23), s. 82(1), **Sch. 25 Pt. 3 para. 64(6)**

#### Marginal Citations

**M2** 1993 c. 34.

**M3** 1993 c. 34.

**M4** 1993 c. 34.

#### *Method of giving effect to paragraph 5 adjustments*

- 6 (1) Subject to sub-paragraph (4) below, the difference mentioned in paragraph 5(2) above shall be brought into account in accordance with sub-paragraph (2) or (3) below in the accounting period in which the company ceases to be a party to the relationship.
- (2) If—
- (a) the relationship is a creditor relationship and the difference consists in an excess of the amount mentioned in paragraph 5(2)(b) above over the amount mentioned in paragraph 5(2)(a) above, or
  - (b) the relationship is a debtor relationship and the difference consists in an excess of the amount mentioned in paragraph 5(2)(a) above over the amount mentioned in paragraph 5(2)(b) above,
- the difference shall be brought into account as a credit given for the purposes of this Chapter for the period mentioned in sub-paragraph (1) above.
- (3) In any other case, the difference shall be brought into account as a debit given for the purposes of this Chapter for the period so mentioned.
- (4) Where the company, by notice in writing given on or before 30th September 1996 to an officer of the Board, makes an election for the purposes of this sub-paragraph—
- (a) sub-paragraphs (1) to (3) above shall not apply; and
  - (b) instead, one sixth of every credit and debit which would have fallen, in accordance with those sub-paragraphs, to be brought into account on the relevant assumption shall be brought into account for each year in the period of six years beginning with the company’s first relevant accounting period;

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and for this purpose “the relevant assumption” is that the company had ceased on 1st April 1996 to be a party to every one of its continuing loan relationships to which paragraph 5 above applies.

- (5) Where any amount representing a fraction of a credit or debit falls to be brought into account for any year under sub-paragraph (4) above, that amount shall be—
  - (a) apportioned between the accounting periods beginning or ending in that year; and
  - (b) brought into account in the periods to which it is allocated in accordance with that apportionment.
- (6) An apportionment between accounting periods of an amount to be brought into account under sub-paragraph (4) above for any year shall be made according to how much of the year is included in each period; and, if that year and the accounting period are the same, the apportionment shall be effected by the allocation of the whole amount to that accounting period.
- (7) If the company ceases to be within the charge to corporation tax before the end of the six years mentioned in sub-paragraph (4)(b) above, the whole amount of the excess, so far as it has not fallen to be brought into account for an earlier accounting period, shall be brought into account as a debit or credit for the accounting period ending when the company ceases to be within that charge.
- (8) Where any credit or debit falls to be brought into account under this paragraph for any accounting period for the whole or any part of which the company carries on the trade in question, the credit or debit shall be brought into account under section 82(2) of this Act in relation to that trade; and, in any other case, it shall be brought into account as a non-trading credit or non-trading debit.

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

- C2** Sch. 15 para. 6(1)(2) extended (27.7.1999 with effect as mentioned in s. 81(12) of the amending Act) by 1999 c. 16, s. 81(4)(5)

*General savings for the taxation of chargeable gains*

- 7 The amendments of the 1992 Act contained in Schedule 14 to this Act and the related repeals made by this Act—
- (a) so far as they relate to section 253 of the 1992 Act, do not apply to any loan the outstanding amount of principal on which became irrecoverable before 1st April 1996;
  - (b) so far as they relate to section 254 of the 1992 Act, do not apply to any security whose value became negligible before 1st April 1996;
  - (c) so far as they relate to anything else, do not apply in relation to any disposal made, or deemed to be made, before 1st April 1996.

*Transitional provision for chargeable assets held after commencement*

- 8 (1) This paragraph applies where—

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- (a) on 31st March 1996 any company (“the relevant company”) held any asset representing, in whole or in part, any loan relationship to which it was a party on that date;
  - (b) the company did not dispose of that asset on that date and does not fall (apart from by virtue of this paragraph) to be treated for the purposes of the 1992 Act as having made a disposal of it on that date;
  - (c) the asset is not one to which section 92 of this Act or paragraph 15 below applies;
  - (d) that asset is not an asset representing a loan relationship to which section 93 of this Act applies;
  - (e) that asset is not a relevant qualifying asset; and
  - (f) a relevant event occurs.
- (2) For the purposes of this paragraph a relevant event occurs on the first occasion after 31st March 1996 when the relevant company or any other company falls to be treated for the purposes of the 1992 Act as making a disposal, other than one to which section 139, 140A, 171(1) or 172 of that Act (disposals on which neither a gain nor a loss accrues) applies, of—
- (a) the asset in question, so far as it has not come to be represented by an asset falling within paragraph (b) below, or
  - (b) any such asset as falls to be treated for the purposes of that Act as the same as that asset.
- (3) The amount of any chargeable gain or allowable loss which would have been treated as accruing to the relevant company on the assumption—
- (a) that it had made a disposal of the asset on 31st March 1996, and
  - (b) (so far as relevant for the purpose of computing the amount of that gain or loss) that the disposal had been for a consideration equal to the market value of the asset,
- shall be brought into account (subject to the following provisions of this paragraph and to paragraph 9 below) as one accruing to the company (“the chargeable company”) which makes the disposal constituting the relevant event, and shall be so brought into account in the accounting period in which that event occurs.
- (4) The amount of the deemed chargeable gain or deemed allowable loss falling to be brought into account in accordance with sub-paragraph (3) above shall be treated as reduced by the extent (if any) to which it is, in relation to the company, an amount that already has been, or falls to be, taken into account for the purposes of corporation tax by virtue of the use of any accruals or mark to market basis of accounting—
- (a) for those purposes;
  - (b) as respects times before 1st April 1996; and
  - (c) in relation to the asset in question.
- (5) To the extent that any deemed chargeable gain or deemed allowable loss falling to be brought into account under sub-paragraph (3) above includes any gain or loss deemed to accrue under section 116(10)(b) of the 1992 Act (qualifying corporate bonds acquired in a reorganisation etc.), that gain or loss shall be deemed to have accrued for the purposes of that sub-paragraph and (without prejudice to its being brought into account in accordance with that sub-paragraph) shall not be taken to accrue again on the occurrence of the relevant event or any subsequent disposal of any asset.



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- [<sup>F5</sup>(5A) In any case where the relevant event has not occurred before 14th November 1996, the deemed chargeable gain or deemed allowable loss falling to be brought into account in accordance with sub-paragraph (3) above shall be computed without any account being taken of the provisions of section 119(6) and (7) of the 1992 Act (transfer of securities with or without accrued interest).]
- (6) In any case where—
- (a) the relevant company is one which at any time before 1st April 1996 was not resident in the United Kingdom,
  - (b) the asset was held by the relevant company at such a time, and
  - (c) if the asset had been disposed of at that time and a gain had accrued to the relevant company on that disposal, it would not have been included in the company's chargeable profits by virtue of section 10(3) of the 1992 Act (gain on a disposal by a branch or agency of a non-resident company),
- the relevant company shall be deemed for the purposes of sub-paragraph (3) above to have acquired the asset, at market value, on the first day on which any relevant gain would have been included in the company's chargeable profits for the purposes of corporation tax (whether because it is a day on which the company became resident, or the asset became situated, in the United Kingdom or for any other reason).
- (7) In sub-paragraph (6) above the reference, in relation to a company, to a relevant gain is a reference to any gain which would have accrued to the company on the following assumptions, that is to say—
- (a) that the relevant company disposed of the asset on the day in question;
  - (b) that that disposal gave rise to a gain; and
  - (c) that any allowable losses which might have been available for deduction under section 8(1) of, or Schedule 7A to, the 1992 Act were to be disregarded.
- (8) In any case where the company acquired the asset on a disposal on which, by virtue of any enactment specified in section 35(3)(d) of the 1992 Act, neither a gain nor a loss accrued to the person making the disposal, the reference in sub-paragraph (6) or (7) above to the relevant company includes—
- (a) a reference to the company from which it acquired the asset; and
  - (b) if that company also acquired the asset on such a disposal, a reference to the company from which the asset was acquired by that company, and so on through any number of such disposals.
- (9) In any case where section 176 of the 1992 Act (depreciatory transactions within a group) would have applied in relation to the disposal referred to in sub-paragraph (3) above if that disposal had actually taken place, that section shall apply for the calculation of any deemed allowable loss to be brought into account by virtue of that sub-paragraph.
- (10) For the purposes of this paragraph a company that ceases to be within the charge to corporation tax shall be deemed to make a disposal of all its assets at their market value immediately before ceasing to be within that charge.
- (11) In this section—
- “market value” has the same meaning as in the 1992 Act; and
  - “relevant qualifying asset” has the same meaning as in paragraph 5 above.

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### Textual Amendments

- F5** Sch. 15 para. 8(5A) inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 5

#### *Election for alternative treatment of amounts specified in paragraph 8*

- 9 (1) Subject to the following provisions of this paragraph, where (apart from this paragraph) any amount representing a deemed allowable loss would fall in the case of any company to be brought into account for any accounting period in accordance with sub-paragraph (3) of paragraph 8 above, the chargeable company may elect for that amount to be brought into account for that period for the purposes of this Chapter, instead of in accordance with that sub-paragraph.
- (2) An amount brought into account for the purposes of this Chapter by virtue of an election under this paragraph shall be so brought into account as a debit given for that period for the purposes of this Chapter.
- (3) The question whether or not any debit brought into account for any accounting period in accordance with sub-paragraph (2) above is to be brought into account for that period as a non-trading debit shall be determined according to how other credits or debits relating to the loan relationship in question are, or (if there were any) would be, brought into account for that period.
- (4) No election shall be made under this paragraph in respect of any deemed allowable loss in any case where the asset in respect of which that loss is deemed to have accrued was one which, as at 1st April 1996, either—
- (a) fell in accordance with section 127 or 214(9) of the 1992 Act (equation of new holding with previous holding) to be treated as the same as an asset which was not an asset representing a loan relationship; or
  - (b) would have so fallen but for section 116(5) of that Act.
- (5) An election shall not be made under this paragraph at any time more than two years after the occurrence of the relevant event by virtue of which the amount to which the election relates would fall to be brought into account in accordance with paragraph 8(3) above.

#### *Adjustments of opening value for mark to market accounting in the case of chargeable assets*

- 10 (1) Where—
- (a) a mark to market basis of accounting is used as respects any loan relationship of a company for the company's first relevant accounting period,
  - (b) for the purpose of bringing amounts into account for the purposes of this Chapter on that basis, an opening valuation of an asset representing that relationship falls to be made as at 1st April 1996, and
  - (c) that asset is a chargeable asset held by that company on 31st March 1996,
- the value of that asset on 1st April 1996 shall be taken for the purpose of the opening valuation to be equal to whatever, in relation to a disposal on 31st March 1996, would have been taken to be its market value for the purposes of the 1992 Act.

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- (2) In this paragraph “chargeable asset”, in relation to a company, means (subject to sub-paragraph (3) below) any asset in the case of which one of the following conditions is satisfied, that is to say—
- (a) a gain accruing to the company on a disposal of that asset on 31st March 1996 would have fallen to be treated in relation to the company as a chargeable gain; or
  - (b) a chargeable gain or allowable loss would be deemed to have accrued to the company on any disposal of that asset on that date.
- (3) An asset is not a chargeable asset for the purposes of this paragraph if (disregarding the provisions of this Chapter) it is an asset any disposal of which on 31st March 1996 would have fallen to be regarded for the purposes of the 1992 Act as a disposal of a qualifying corporate bond.

*Other adjustments in the case of chargeable assets etc.*

- 11 (1) Where—
- (a) an authorised accruals basis of accounting is applied as respects any continuing loan relationship of a company for the company’s first relevant accounting period,
  - (b) an asset representing that relationship is a relevant asset or any liability under it is a relevant liability, and
  - (c) the relationship is not one as respects which, if the company had ceased to be a party to the relationship on 31st March 1996, any amounts would have been brought into account in computing, for an accounting period ending on or after that date, the profits or losses of the company from any trade carried on by it,

that accounting method shall be taken for the purposes of this Chapter to require the asset or liability to be given a notional closing value as at 31st March 1996 in accordance with paragraph 12 below and the following provisions of this paragraph shall apply if there is any difference in the case of that relationship between the amounts mentioned in sub-paragraph (2) below.

- [<sup>F6</sup>(2) Those amounts are—
- (a) the notional closing value of the relationship as at 31st March 1996; and
  - (b) the amount which would be taken on a computation made—
    - (i) in accordance with an authorised accruals basis of accounting, and
    - (ii) on the assumption that such a basis of accounting had always been used as respects that relationship,to represent the accrued value of the loan relationship in question on 1st April 1996.
- (3) Where there is a difference between the amounts mentioned in sub-paragraph (2) above, that difference shall be brought into account—
- (a) where the amount mentioned in paragraph (a) of that sub-paragraph is the smaller, as a credit given for the purposes of this Chapter for the accounting period in which the company ceases to be a party to the relationship; and
  - (b) in any other case, as a debit so given.]

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- (5) Where the company ceases to be within the charge to corporation tax, it shall be deemed for the purposes of this paragraph to have ceased to be a party to the relationship in question immediately before ceasing to be within that charge.
- (6) A credit or debit brought into account under this paragraph shall be brought into account as a non-trading credit or non-trading debit.
- (7) In this paragraph—  
 “chargeable asset”, in relation to a company, means (subject to subparagraph (8) below) any asset held by the company on 31st March 1996 in the case of which one of the following conditions is satisfied, that is to say—  
 (a) a gain accruing to the company on a disposal of that asset on that date would have fallen to be treated in relation to the company as a chargeable gain; or  
 (b) a chargeable gain or allowable loss would be deemed to have accrued to the company on any disposal of that asset on that date;  
 and  
 “relevant asset” means a chargeable asset or a relevant qualifying asset.
- (8) An asset is not a chargeable asset for the purposes of this paragraph if (disregarding the provisions of this Chapter) it is an asset any disposal of which on 31st March 1996 would have fallen to be regarded for the purposes of the 1992 Act as a disposal of a qualifying corporate bond.
- (9) Expressions used in this paragraph and paragraph 5 above have the same meanings in this paragraph as in that paragraph.

#### Textual Amendments

- F6** Sch. 15 para. 11(2)(3) substituted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) for Sch. 15 para. 11(2)-(4) by 1997 c. 15, s. 83(6), Sch. 13 para. 6

VALID FROM 24/07/2002

*<sup>F7</sup>Reduction of paragraph 11 credit where s.251(4) of 1992 Act prevents paragraph 8 loss*

#### Textual Amendments

- F7** Sch. 15 para. 11A and cross-heading inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 42

- 11A (1) This paragraph applies where, in the case of any asset representing in whole or in part a loan relationship of a company, an amount representing a deemed allowable loss would (apart from this paragraph) fall or have fallen to be brought into account in accordance with paragraph 8(3) above for an accounting period (whenever beginning or ending), but for section 251(4) of the 1992 Act (no allowable loss on disposal of debt acquired from connected person).

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- (2) Where this paragraph applies, the amount of any credit falling within sub-paragraph (3) below shall be treated for the purposes of this Chapter as reduced (but not below nil) by the amount described in sub-paragraph (1) above.
- (3) A credit falls within this sub-paragraph if (apart from this paragraph)—
- (a) the credit falls to be given by virtue of paragraph 11(3)(a) above for an accounting period beginning on or after 1st October 2002; and
  - (b) the loan relationship mentioned in paragraph 11(1)(a) above in the case of the credit is the same loan relationship as the one mentioned in sub-paragraph (1) above.]

*Notional closing values of relevant assets*

- 12 (1) Subject to sub-paragraph (2) below, the notional closing value as at 31st March 1996 of any relevant asset representing a loan relationship of a company, or of any relevant liability, shall be taken for the purposes of paragraphs 5 and 11 above, to be an amount equal to the following amount, that is to say—
- (a) in the case of a chargeable asset, its market value on that date;
  - (b) in the case of a relevant qualifying asset or relevant liability, the value given to it as at the company’s commencement day for the purpose of computing any attributed amount.
- (2) Sub-paragraph (3) below applies where a company, by notice in writing given on or before 30th September 1996 to an officer of the Board, makes an election for the purposes of that sub-paragraph in relation to all of its relevant qualifying assets which—
- (a) apart from the election, would be given a notional closing value as at 31st March 1996 by sub-paragraph (1) above; and
  - (b) but for Chapter II of Part II of the <sup>M5</sup>Finance Act 1993 (exchange gains and losses), would be chargeable assets.
- (3) Where such an election is made as respects those assets—
- (a) sub-paragraph (1) above shall not apply as respects those assets; but
  - (b) the value of each of those assets as at 1st April 1996 shall be taken for the purposes of this Chapter to be its market value on that date.
- (4) In this paragraph “chargeable asset” and “relevant asset” have the same meanings as in paragraph 11 above; and expressions used in this paragraph and paragraph 5 above have the same meanings in this paragraph as in that paragraph.

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**Marginal Citations**

**M5** 1993 c. 34.

*Further transitional rules for interest under loan relationships*

- 13 (1) Where—
- (a) an amount of interest under a loan relationship of a company accrues or becomes due and payable in an accounting period ending on or after 1st April 1996, but

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(b) the amount accruing or becoming due and payable has already, in the case of that company, been brought into account for the purposes of corporation tax for an old accounting period,

no credit or, as the case may be, debit relating to that amount shall be brought into account in the case of that company for the purposes of this Chapter.

(2) This Chapter shall have effect in accordance with sub-paragraphs (3) and (4) below in relation to any pre-commencement late interest, that is to say, interest which—

(a) has accrued or become due and payable in an old accounting period, but

(b) is paid in an accounting period ending on or after 1st April 1996.

(3) Where—

(a) an amount of pre-commencement late interest under a debtor relationship of a company is paid by that company,

(b) the amount paid is not interest which, in the case of that company, was brought into account for the purposes of corporation tax for any old accounting period,

(c) relief would have been allowable in respect of the amount paid if the provisions of this Chapter had not been enacted, and

(d) the amount paid is not interest in relation to which any debit falls (apart from under this sub-paragraph) to be brought into account for the purposes of this Chapter in the case of that company,

debts shall be brought into account for the purposes of this Chapter in the case of that company as if the amount paid were interest accruing, and becoming due and payable, at the time when it is paid.

(4) Where—

(a) an amount of pre-commencement late interest under a creditor relationship of a company is paid to that company,

(b) the amount paid is not interest which, in the case of that company, was brought into account for the purposes of corporation tax for any old accounting period,

(c) the amount paid is not interest in relation to which any credit falls (apart from under this sub-paragraph) to be brought into account for the purposes of this Chapter in the case of that company, and

(d) the amount paid is not an amount of interest which in relation to a transfer before 1st April 1996 was unrealised interest within the meaning of section 716 of the Taxes Act 1988,

credits shall be brought into account for the purposes of this Chapter in the case of that company as if the amount paid were interest accruing, and becoming due and payable, at the time when it is paid.

(5) Where—

(a) any interest under a debtor relationship of a company was paid by that company at a time on or after 20th December 1995 but during an old accounting period,

(b) the company was not required to make the payment at or before that time by virtue of any contractual obligation entered into by that company before 20th December 1995, and

(c) the interest paid is not interest which, if brought into account for the purposes of corporation tax in accordance with an authorised accruals basis

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of accounting, would fall to be so brought into account in an old accounting period,

the interest paid shall not, in the case of that company, be brought into account for the purposes of corporation tax in any old accounting period.

- (6) Where on 1st April 1996 any interest under a loan relationship remains to be paid to or by a company that ceased to be a party to that relationship before that date, this Chapter (including the preceding provisions of this paragraph) shall have effect, so far as relating to interest under a loan relationship, as if the relationship were a continuing loan relationship.
- (7) Sub-paragraphs (8) and (9) below apply where the accounting period for which any credits or debits relating to interest under a loan relationship are brought into account for the purposes of this Chapter is determined either—
- (a) in accordance with an accruals basis of accounting, by reference to the time when by virtue of this paragraph that interest is deemed to accrue; or
  - (b) in accordance with a mark to market basis of accounting, by reference to the time when by virtue of this paragraph the interest is deemed to become due and payable.
- (8) If—
- (a) at the time when the interest in fact accrued or (as the case may be) when the interest in fact became due and payable, the company was a party to the relationship in question for the purposes of a trade carried on by it, and
  - (b) the credits or debits relating to that interest fall to be brought into account for an accounting period determined as mentioned in sub-paragraph (7) above which is a period for the whole or any part of which that company carries on that trade,
- those credits or debits shall be so brought into account under section 82(2) of this Act.
- (9) In a case not falling within sub-paragraph (8) above, credits or debits relating to any interest that fall to be brought into account for the purposes of this Chapter for an accounting period determined as mentioned in sub-paragraph (7) above shall be so brought into account as non-trading credits or, as the case may be, non-trading debits.
- (10) References in this paragraph to interest under a loan relationship include references to any amounts brought into account for the purposes of corporation tax in accordance with the provisions of section 477A(3) of the Taxes Act 1988 (whether under those provisions as they had effect apart from the amendments made by this Act or under those provisions as amended by this Act).
- (11) In this paragraph “old accounting period”, in relation to a company, means any accounting period of that company ending before 1st April 1996.

*Transitional in respect of incidental expenses already allowed*

- 14 To the extent that any deduction in respect of any charges or expenses incurred as mentioned in section 84(3) of this Act has been made for the purposes of corporation tax in any accounting period ending before 1st April 1996, those charges or expenses shall not be included in the charges or expenses in relation to which debits may be brought into account for the purposes of this Chapter.

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*Holdings of unit trusts etc.*

- 15 (1) This paragraph applies to any asset which—
- (a) is an asset of an insurance company's long term business fund (within the meaning of Chapter I of Part XII of the Taxes Act 1988) both on and immediately after 31st March 1996; and
  - (b) falls by virtue of paragraph 4 of Schedule 10 to this Act to be treated for a transitional accounting period of the company as representing rights under a creditor relationship of the company.
- (2) Sections 212 and 213 of the 1992 Act (annual disposal of holdings of unit trusts etc.) shall have effect (without the amendment made by this Chapter) in relation to the assets to which this paragraph applies as if (where it would not otherwise be the case) 31st March 1996 were the last day of an accounting period of the company holding the asset.
- (3) Nothing in this Chapter shall prejudice the effect of section 213 of the 1992 Act in relation to any disposal which (whether by virtue of sub-paragraph (2) above or otherwise) is deemed under section 212 of that Act to be made on or before 31st March 1996.

*Bad debt relieved before commencement*

- 16 (1) This paragraph applies where—
- (a) an amount becomes, or is to become, due and payable under a creditor relationship of a company in an accounting period ending on or after 1st April 1996, but
  - (b) by virtue of any of sub-paragraphs (i) to (iii) of section 74(1)(j) of the Taxes Act 1988 (or any enactment re-enacted in those sub-paragraphs), a deduction of an amount representing the whole or any part of the amount payable was authorised to be made, and was made, in computing for the purposes of corporation tax the profits of the company for any accounting period ending before that date.
- (2) Subject to sub-paragraph (3) below, nothing in this Chapter shall require it to be assumed for the purposes of this Chapter that any part of the amount to which the deduction relates will be paid in full as it becomes due.
- (3) Subject to sub-paragraph (4) below, where—
- (a) the deduction relates to an amount payable under a creditor relationship of a company which has been proved or estimated to be a bad debt, but
  - (b) in an accounting period ending on or after 1st April 1996 the whole or any part of the liability under that relationship to pay that amount is discharged by payment,
- this Chapter shall have effect, in the case of that company, as if there were a credit equal to the amount of the payment to be brought into account for the purposes of this Chapter for that period.
- (4) Sub-paragraph (3) above does not apply to so much of any payment as is an amount in relation to which a credit falls to be brought into account for the purposes of this Chapter in accordance with paragraph 13(4) above.



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*Transitional for overseas sovereign debt etc.*

- 17 (1) Subject to any regulations under sub-paragraph (4) below and notwithstanding anything in the preceding provisions of this Schedule, the value which for the purposes of this Chapter is to be taken to be the value as at 1st April 1996 of a company's rights under any creditor relationship relating to a relevant overseas debt any part of which falls to be estimated as bad, is the following amount—
- (a) where the company was not entitled to the debt before the end of its last period of account to end before 1st April 1996, the amount for which the company acquired those rights; and
  - (b) in any other case, the amount of so much of that debt as did not fall, in accordance with section 88B of the Taxes Act 1988, to be estimated as at the end of that period to be bad.
- (2) Subject to any regulations under sub-paragraph (4) below, sub-paragraph (3) below shall apply where there is a loss incurred before 1st April 1996 to which section 88C of the Taxes Act 1988 has applied or applies by virtue of paragraph 2 above.
- (3) Where, apart from this Chapter, any amount would have been allowed in respect of the loss as a deduction for any accounting period ending after 31st March 1996, that amount shall not be so allowed but shall, instead, be brought into account for the purposes of this Chapter as if it were a debit given for that accounting period by paragraph 9 of Schedule 9 to this Act in respect of a loss incurred on or after 1st April 1996.
- (4) The Treasury may by regulations—
- (a) make such transitional provision as they consider appropriate for purposes connected with the coming into force of paragraphs 8 and 9 of Schedule 9 to this Act and the repeal of sections 88A to 88C of the Taxes Act 1988 (which contained corresponding provisions); and
  - (b) in connection with any such provision, make such modifications of this Schedule (including sub-paragraphs (1) to (3) above) as they consider appropriate;
- and regulations made by virtue of this sub-paragraph may have retrospective effect in relation to any accounting periods ending on or after 1st April 1996.
- (5) The Treasury shall not make any regulations under sub-paragraph (4) above unless a draft of them has been laid before and approved by a resolution of the House of Commons.
- (6) In this paragraph “relevant overseas debt” has the same meaning as in paragraphs 8 and 9 of Schedule 9 to this Act.

*Transitional for accrued income scheme*

- 18 (1) Subject to sub-paragraph (2) below, where, apart from this Chapter, any company would be treated under subsection (2) or (4) of section 714 of the Taxes Act 1988 (treatment of deemed sums and reliefs under accrued income scheme)—
- (a) as receiving any amount at the end of a period beginning before and ending on or after 1st April 1996, or
  - (b) as entitled to any allowance of any amount in such a period,

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that amount shall be brought into account as a non-trading credit or, as the case may be, non-trading debit given for the purposes of this Chapter for the company's first relevant accounting period, instead of in accordance with that subsection.

- (2) A debit in respect of an allowance relating to a security shall not, in the case of any company, be brought into account for the purposes of this Chapter in accordance with sub-paragraph (1) above if—
- (a) the security was transferred to that company with accrued interest in a transitional accounting period; and
  - (b) for the purposes of this Chapter an authorised accruals basis of accounting is used for that period as respects the creditor relationship of the company represented by that security.
- (3) Where any excess would, apart from this Chapter, be available by virtue of section 103(4) of the <sup>M6</sup>Finance Act 1993 (transitional provision in connection with the repeal of section 724(7) of the Taxes Act 1988) to be applied in reducing the annual profits or gains of a company (if any) for its first relevant accounting period, that excess shall be brought into account for the purposes of this Chapter in the case of that company as a non-trading debit for that period.
- (4) Subsection (6) of section 807 of the Taxes Act 1988 shall not prevent that section from having effect for an accounting period ending on or after 1st April 1996 in relation to amounts brought into account under this paragraph.
- (5) The repeal by this Act of section 63 of the <sup>M7</sup>Finance Act 1993 (deemed transfers for the purposes of the accrued income scheme) and of enactments relating to that section shall not apply in relation to relevant days falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.

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**Marginal Citations**

**M6** 1993 c. 34.

**M7** 1993 c. 34.

*Deep discount securities*

- 19 (1) This Chapter shall not affect—
- (a) the application of paragraph 3 of Schedule 4 to the Taxes Act 1988 (charge to tax after acquisition of deep discount securities) in relation to occasions before 1st April 1996;
  - (b) the application of paragraph 4 of that Schedule (charge to tax on disposal of such securities) in relation to any disposal before that date; or
  - (c) the application of paragraph 5 of that Schedule (relief in respect of the income element), in accordance (where applicable) with paragraphs 9 and 10 of that Schedule, in relation to income periods ending before that date.
- (2) For the purposes of paragraph 5 of Schedule 4 to the Taxes Act 1988 and sub-paragraph (1)(c) above every income period current on 31st March 1996 shall be deemed to end on that date.

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- (3) The repeal by this Act of section 64 of the <sup>M8</sup>Finance Act 1993 (deemed transfers in the case of deep discount securities) and of enactments relating to that section shall not apply in relation to relevant times falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.
- [<sup>F8</sup>(3A) Any income that is treated as arising at the time mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (3) above, shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period in which that time falls.]
- (4) Where—
- (a) a company issued a deep discount security before 1st April 1996 which was not redeemed before that date, and
  - (b) there is a difference between the adjusted issue price of the security as at 31st March 1996 and the adjusted closing value of that security as at that date,
- the amount of that difference shall, in the case of that company, be brought into account for the purposes of this Chapter in accordance with sub-paragraph (5) below.
- (5) An amount falling to be brought into account for the purposes of this Chapter in accordance with this sub-paragraph shall be brought into account for those purposes for the accounting period in which the security is redeemed—
- (a) if the adjusted issue price of the security as at 31st March 1996 is greater than the adjusted closing value of the security as at that date, as a non-trading credit; and
  - (b) if the adjusted closing value of the security as at that date is the greater, as a non-trading debit.
- (6) Where—
- (a) a company held a deep discount security on 31st March 1996,
  - (b) the company did not make any disposal of that security on that date,
  - (c) the security is not one in relation to which there is, or is deemed to be, a relevant time on that date for the purposes of section 64 of the <sup>M9</sup>Finance Act 1993, and
  - (d) there is an amount which, if the company had made a disposal of that security on that date, would have been treated under paragraph 4 of Schedule 4 to the Taxes Act 1988 as income chargeable to tax under Case III or IV of Schedule D,
- that amount shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period mentioned in sub-paragraph (9) below.
- (7) Where—
- (a) a company held a deep discount security on 31st March 1996,
  - [<sup>F9</sup>(b) the company did not make any disposal of that security on that date,]
  - (c) the security is not an asset falling to be treated as a relevant asset of the company for the purposes of paragraph 11 above, and
  - (d) there is a difference between the adjusted issue price of the security as at 31st March 1996 and the adjusted closing value of that security as at that date,

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the amount of that difference (in addition to any amount given by sub-paragraph (6) above) shall, in the case of that company, be brought into account for the purposes of this Chapter in accordance with sub-paragraph (8) below.

- (8) An amount falling to be brought into account for the purposes of this Chapter in accordance with this sub-paragraph shall be brought into account for those purposes for the accounting period mentioned in sub-paragraph (9) below—
- (a) if the adjusted issue price of the security as at 31st March 1996 is greater than the adjusted closing value of the security as at that date, as a non-trading debit; and
  - (b) if the adjusted closing value of the security as at that date is the greater, as a non-trading credit.
- (9) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—
- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
  - (b) the day on which the security is redeemed; and
  - (c) the day on which the company makes a disposal of that security.
- (10) The repeal by this Act of the reference in any enactment to, or to any provision of, paragraph 5 of Schedule 4 to the Taxes Act 1988 shall not have effect in relation to amounts treated as paid before 1st April 1996.
- (11) For the purposes of this paragraph, in relation to any company—
- (a) the adjusted issue price of a deep discount security as at 31st March 1996 is whatever for the purposes of Schedule 4 to the Taxes Act 1988 would have been the adjusted issue price of that security for an income period beginning with 1st April 1996; and
  - (b) the adjusted closing value of a security as at 31st March 1996 is the amount which for the purposes of this Chapter is the opening value as at 1st April 1996 of the company's rights and liabilities under the loan relationship of the company that is represented by that security;
- and sub-paragraph (7) of paragraph 5 above shall apply for the purposes of this sub-paragraph as it applies for the purposes of that paragraph.
- (12) In this paragraph “deep discount security”, “disposal” and “income period” have the same meanings as in Schedule 4 to the Taxes Act 1988.

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#### Textual Amendments

- F8** Sch. 15 para. 19(3A) inserted (27.7.1999 with effect as mentioned in s. 67(6) of the amending Act) by 1999 c. 16, s. 67(1)
- F9** Sch. 15 para. 19(7)(b) substituted (27.7.1999 with effect as mentioned in s. 67(7) of the amending Act) by 1999 c. 16, s. 67(3)
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#### Marginal Citations

- M8** 1993 c. 34.  
**M9** 1993 c. 34.

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### *Deep gain securities*

- 20 (1) This Chapter shall not affect the application of paragraph 5 of Schedule 11 to the <sup>M10</sup>Finance Act 1989 (charge on deep gain securities) in relation to any transfer or redemption occurring before 1st April 1996.
- (2) The repeal by this Act of section 65 of the <sup>M11</sup>Finance Act 1993 (deemed transfers in the case of deep gain securities) and of enactments relating to that section shall not apply in relation to relevant days falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.
- [<sup>F10</sup>(2A) Any income that is treated as arising on the day mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (2) above, shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period in which that day falls.]
- (3) Where—
- (a) a company held a deep gain security on 31st March 1996,
  - (b) the security was not transferred or redeemed by that company on that date,
  - (c) the security is not one in relation to which that date is, or is deemed to be, a relevant day for the purposes of section 65 of the Finance Act 1993, and
  - (d) there is an amount which, if the company had made a transfer of that security on that date by selling it for its adjusted closing value, would have been treated under paragraph 5 of Schedule 11 to the Finance Act 1989 as income chargeable to tax under Case III or IV of Schedule D,
- that amount shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period mentioned in sub-paragraph (4) below.
- (4) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—
- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
  - (b) the day on which the security is redeemed; and
  - (c) the day on which the company makes a disposal of that security.
- (5) For the purposes of this paragraph the adjusted closing value of a deep gain security held by a company on 31st March 1996 shall be the amount which for the purposes of this Chapter is the opening value as at 1st April 1996 of the company's rights and liabilities under the relationship represented by that security; and sub-paragraph (7) of paragraph 5 above shall apply for the purposes of this sub-paragraph as it applies for the purposes of that paragraph.
- (6) In this paragraph “deep gain security” and “transfer” have the same meanings as in Schedule 11 to the <sup>M12</sup>Finance Act 1989.

#### **Textual Amendments**

**F10** Sch. 15 para. 20(2A) inserted (27.7.1999 with effect as mentioned in s. 67(6) of the amending Act) by 1999 c. 16, s. 67(2)

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**Marginal Citations**

- M10** 1989 c. 26.  
**M11** 1993 c. 34.  
**M12** 1989 c. 26.

*Convertible securities*

- 21 (1) This Chapter shall not affect—
- (a) the application of paragraph 12 of Schedule 10 to the <sup>M13</sup>Finance Act 1990 (charge in the case of convertible securities) in relation to any chargeable event occurring before 1st April 1996; or
  - (b) the application of paragraph 25 of that Schedule (relief in the case of convertible securities) in relation to any redemption occurring before that date.
- (2) Where—
- (a) a company held a qualifying convertible security on 31st March 1996,
  - (b) that date was not a date on which any chargeable event occurred in relation to that security, and
  - (c) there is an amount which, if there had been a chargeable event on that date, would have been treated under paragraph 12 of Schedule 10 to the Finance Act 1990 as income chargeable to tax under Case III or IV of Schedule D,
- that amount shall be brought into account, in the case of that company, as a non-trading credit given for the purposes of this Chapter for the accounting period mentioned in sub-paragraph (3) below.
- (3) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—
- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
  - (b) the day on which the security is redeemed; and
  - (c) the day on which the company makes a disposal of that security.
- (4) Where—
- (a) any qualifying convertible security is redeemed, and
  - (b) that security is one in the case of which any amount falls to be brought into account under sub-paragraph (2) above,
- an amount equal to that amount shall be brought into account, in the case of the company that issued the security, as a non-trading debit given for the purposes of this Chapter for the accounting period in which the redemption occurs.
- (5) In this paragraph “chargeable event” and “qualifying convertible security” have the same meanings as in Schedule 10 to the Finance Act 1990.

**Marginal Citations**

- M13** 1990 c. 29.

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*Transitional and savings for Chapter II of Part II of the Finance Act 1993*

- 22 (1) Chapter II of Part II of the <sup>M14</sup>Finance Act 1993 (exchange gains and losses) shall have effect in the case of any continuing loan relationship as follows.
- (2) Subsection (1A) of section 127 of that Act (deemed variation of debt in respect of amounts accruing in respect of discounts and premiums) shall have effect in relation to the debt by reference to which the continuing loan relationship at any time subsists as if that debt is one to which the company became subject or entitled on 1st April 1996; and, accordingly, that subsection shall require the nominal amount of the debt outstanding to be treated as varied only where the time of the deemed variation is on or after 1st April 1996.
- (3) Where section 127 of that Act has effect in relation to any debt by reference to which a continuing loan relationship at any time subsists, it shall so have effect, so far as the debt is one to which the company is deemed by virtue of sub-paragraph (2) above to have become subject or entitled on 1st April 1996, as if the nominal amount of the debt outstanding on that date were an amount equal to what it would have been if—
- (a) sub-paragraph (2) above did not apply; and
  - (b) section 127(1A) of the <sup>M15</sup>Finance Act 1993 and the provisions to which it refers had always had effect.
- (4) The amendment by this Act of section 153(4) of the Finance Act 1993 (assets excluded from being qualifying assets) shall not apply as respects times before 1st April 1996; and, where a company holds an asset immediately before and on 1st April 1996 and that asset is one which falls to be treated as a qualifying asset by virtue of that amendment—
- (a) the company shall be treated as having become entitled to that asset on that date; and
  - (b) the basic valuation of the asset shall be taken to be its market value on 31st March 1996 (instead of any amount given by section 159 of that Act of 1993);
- and in this sub-paragraph “market value” has the same meaning as in the 1992 Act.
- (5) The repeal by this Act of section 153(6) of the Finance Act 1993 (liabilities excluded from being qualifying liabilities) shall not have effect as respects times before 1st April 1996; and, where a company is subject to a liability immediately before and on 1st April 1996 and that liability is one which falls to be treated as a qualifying liability by virtue of that repeal, the company shall be treated as having become subject to that liability on that date.
- (6) The repeal by this Act of paragraphs 4 to 6 of Schedule 17 to the Finance Act 1993 (exchange gains and losses) shall not have effect in relation to any disposal before 1st April 1996.

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**Marginal Citations**

**M14** 1993 c. 34.

**M15** 1993 c. 34.



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*Carrying back non-trading losses against exchange profits etc.*

- 23 (1) Subject to sub-paragraph (2) below, for the purpose of setting any amount against exchange profits for an accounting period beginning before 1st April 1996—
- (a) a claim may be made under section 131(5) or (6) of the Finance Act 1993 (treatment of exchange gains and losses) in relation to any relievable amount for an accounting period ending on or after 1st April 1996; and
  - (b) the provisions of sections 129 to 133 of that Act shall be deemed to have effect for the purposes of that claim without the amendments made by Schedule 14 to this Act.
- (2) If any claim is made by virtue of sub-paragraph (1) above in respect of the relievable amount for an accounting period beginning on or after 1st April 1996, then an amount equal to the amount to which the claim relates shall be deemed, for the purposes of the computation falling to be made for that accounting period under section 82 of this Act, to be brought into account for that period as a non-trading credit.
- (3) The references in this paragraph and paragraph 24 below to provisions of the Finance Act 1993 shall have effect as including references to those sections as applied by the provisions of Chapter II of Part IV of the <sup>M16</sup>Finance Act 1994.
- (4) Sub-paragraph (3) above is without prejudice to the generality of section 20(2) of the <sup>M17</sup>Interpretation Act 1978 (references to other enactments).

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

**C3** Sch. 15 para. 23 modified (31.7.1997 with effect as mentioned in s. 40(7) of the amending Act) by 1997 c. 58, s. 40(9)

**Marginal Citations**

**M16** 1994 c. 9.

**M17** 1978 c. 30.

*Exchange losses etc. carried forward from before 1st April 1996*

- 24 Where there is any amount which apart from this Chapter would fall under section 131(12) of the Finance Act 1993 (carrying forward of exchange gains and losses) to be carried forward to an accounting period ending on or after 1st April 1996, that amount shall be treated in relation to that period as an amount carried forward to that period in pursuance of section 83(3) of this Act.

*Transitional for debt contracts and options to which Chapter II of Part IV of the Finance Act 1994 is applied*

- 25 (1) This paragraph applies in the case of any debt contract or option held by a company both immediately before and on 1st April 1996 if (apart from this Chapter)—
- (a) the contract or option is an asset in the case of which the following condition is satisfied, that is to say, a gain accruing to the company on a disposal of



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- that asset on 31st March 1996 would have fallen to be treated as a chargeable gain in relation to the company; or
- (b) had there been a disposal of that asset on 31st March 1996, amounts with respect to it would have fallen to be brought into account for any accounting period beginning before 1st April 1996 in computing any profits or gains of the company from a trade carried on by it.
- (2) Chapter II of Part IV of the <sup>M18</sup>Finance Act 1994 (provisions relating to certain financial instruments) shall have effect in relation to the debt contract or option as if references in that Chapter to 1st April 1996 were references to the beginning of the company's first relevant accounting period.
- (3) For the accounting period mentioned in sub-paragraph (2) above, section 158(2) to (5) of that Act (adjustments for changes of basis of accounting) shall have effect in relation to the debt contract or option as if—
- (a) any reference to the new basis were a reference to the basis of accounting on which, as regards the contract or option, the company's profit or loss for the accounting period so mentioned is calculated;
- (b) any reference to being or not being included in amount A for a preceding accounting period were a reference to being or not being taken into account as receipts or increases in value in computing the company's profits or losses for such a period; and
- (c) any reference to being or not being included in amount B for a preceding accounting period were a reference to being or not being taken into account as deductions or reductions in value in computing the company's profits or losses for such a period.
- (4) Expressions used in this paragraph and in Chapter II of Part IV of the Finance Act 1994 have the same meanings in this paragraph as in that Chapter.

**Marginal Citations**

**M18** 1994 c. 9.

**PART II**

INCOME TAX AND CAPITAL GAINS TAX

*Application and interpretation of Part II*

- 26 (1) This Part of this Schedule (except paragraph 29) has effect for the purposes of income tax and capital gains tax but not for the purposes of corporation tax.
- (2) In this Part of this Schedule—
- “the 1992 Act” means the <sup>M19</sup>Taxation of Chargeable Gains Act 1992;
- “market value” has the same meaning as in the 1992 Act;
- “qualifying indexed security” has the meaning given by paragraph 2 of Schedule 11 to the <sup>M20</sup>Finance Act 1989; and
- “relevant discounted security” has the meaning given for the purposes of Schedule 13 to this Act.

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- (3) References in this Part of this Schedule to a disposal within marriage are references to any disposal to which section 58 of the 1992 Act applies.

**Marginal Citations**

- M19** 1992 c. 12.  
**M20** 1989 c. 26.

*Qualifying indexed securities*

- 27 (1) This paragraph applies where—
- (a) on 5th April 1996 any person (“the relevant person”) held a qualifying indexed security;
  - (b) that person did not dispose of that security on that date and does not fall (apart from by virtue of this paragraph) to be treated for the purposes of the 1992 Act as having made a disposal of it on that date; and
  - (c) a relevant event occurs.
- (2) For the purposes of this paragraph a relevant event occurs on the first occasion after 5th April 1996 when the relevant person, or a person to whom that person has made a disposal of the security within marriage, falls to be treated for the purposes of the 1992 Act as making a disposal (otherwise than within marriage) which is—
- (a) a disposal of the security in question; or
  - (b) a disposal of any such asset as falls to be treated for the purposes of that Act as the same as that security.
- (3) The amount of any chargeable gain or allowable loss which would have been treated as accruing to the relevant person if—
- (a) he had made a disposal of the asset on 5th April 1996, and
  - (b) that disposal had been for a consideration equal to the market value of the asset,
- shall be brought into account as one accruing to the person who makes the disposal constituting the relevant event in the year of assessment in which that event occurs.
- 28 For the purposes of Schedule 13 to this Act where—
- (a) a person held a qualifying indexed security both on and immediately after 5th April 1996, and
  - (b) that security is a relevant discounted security,
- the amount which that person shall be taken to have paid in respect of his acquisition of that security on or before 5th April 1996 shall be an amount equal to its market value on that date.
- 29 For the purposes of paragraph 2 of Schedule 10 to this Act, paragraphs 27 and 28 above shall have effect in relation to an authorised unit trust for the first of its accounting periods to end after 31st March 1996 as if references in those paragraphs to 5th April 1996 were references to 31st March 1996.

*Transitional in relation to qualifying corporate bonds*

- 30 (1) This paragraph applies where—
- (a) any person holds any asset on and immediately after 5th April 1996;

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- (b) that asset is one which came to be held by that person as a result of a transaction to which section 127 of the 1992 Act applies; and
  - (c) that asset falls from 5th April 1996 to be treated as a relevant discounted security but is neither a qualifying indexed security nor such that it would have fallen to be treated as a qualifying corporate bond in relation to any disposal of it on that date.
- (2) Section 116 of the 1992 Act (reorganisations etc. involving qualifying corporate bonds) shall have effect as if—
- (a) there had been a transaction on 5th April 1996 by which the person holding the asset had disposed of it and immediately re-acquired it;
  - (b) the asset re-acquired had been a qualifying corporate bond; and
  - (c) the transaction had been a transaction to which section 127 of the 1992 Act would have applied but for section 116(5) of that Act.

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**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 15.