

Status: Point in time view as at 29/04/1996.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 40. (See end of Document for details)

SCHEDULES

SCHEDULE 40

Section 202.

GILT STRIPPING: TAXATION PROVISIONS

The Stamp Act 1891 (c. 39)

- 1 In the definition of “stock” in section 122(1) of the Stamp Act 1891, after “Bank of Ireland,” there shall be inserted “ any strip (within the meaning of section 47 of the ^{M1}Finance Act 1942) of any such stocks or funds, ”.

Marginal Citations

M1 1942 c. 21.

- 2 (1) At the end of paragraph (1) of the general exemptions at the end of Schedule 1 to the Stamp Act 1891 (exemption for Government stocks etc.) there shall be inserted “ or strips (within the meaning of section 47 of the ^{M2}Finance Act 1942) of such stocks or funds ”.
- (2) Where any day is appointed as the abolition day for the purposes of sections 107 to 110 of the ^{M3}Finance Act 1990, sub-paragraph (1) above shall cease to have effect in accordance with the provisions of that Act for the coming into force of the repeal of the paragraph mentioned in that sub-paragraph.

Marginal Citations

M2 1942 c. 21.

M3 1990 c. 29.

The Taxes Act 1988

- 3 (1) At the end of subsection (5) of section 710 of the Taxes Act 1988 (meaning of “transfer”), there shall be inserted—
- “(b) except as otherwise provided by subsections (1) and (3) of section 722A, does not include any transaction forming part of any such exchange as is mentioned in either of those subsections.”
- (2) After subsection (13) of that section there shall be inserted the following subsections—
- “(13A) Where a security is deemed to have been transferred by virtue of section 722A(1), the interest period in which the exchange in question takes place shall be treated as ending on the day on which it would have ended had the exchange not taken place.

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(13B) Where a security is deemed to have been transferred by virtue of section 722A(3), the interest period in which the exchange in question takes place shall be treated as having begun on such day as shall for that purpose be specified in the security.”

4 In section 711 of the Taxes Act 1988 (interpretation of sections 710 and 712 to 728 of that Act), after subsection (6) there shall be inserted the following subsection—

“(6A) In any case where section 722A(1) or (3) applies, the deemed transfer shall be treated as made—

(a) without accrued interest in any such case where the exchange in question is made at any time after the balance has been struck for a dividend on the security but before the day on which that dividend is payable;

(b) with accrued interest in any other such case.”

5 In section 712(4) of the Taxes Act 1988 (meaning of “settlement day”), after “722” there shall be inserted “, 722A ”.

6 In the Taxes Act 1988, the following section shall be inserted after section 722—

“722A Gilt strips: deemed transfer.

(1) For the purposes of sections 710 to 728, where a gilt-edged security is exchanged by any person for strips of that security the security shall be deemed to have been transferred by that person.

(2) Nothing in subsection (1) above shall have effect to cause any person to be treated as the transferee of any securities for the purposes of section 713(2) (b).

(3) For the purposes of sections 710 to 728, where strips of gilt-edged securities are exchanged by any person for a single gilt-edged security consolidating those strips, that security shall be deemed to have been transferred to that person.

(4) Nothing in subsection (3) above shall have effect to cause any person to be treated as the transferor of any securities for the purposes of section 713(2) (a).

(5) In this section—

“gilt-edged security” has the same meaning as in section 51A; and

“strip” means anything which, within the meaning of section 47 of the ^{M4}Finance Act 1942, is a strip of a gilt-edged security.”

Marginal Citations

M4 1942 c. 21.

7 In the Taxes Act 1988, the following section shall be inserted after section 730B—

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“730C Exchanges of gilts: traders etc.

- (1) This section has effect for the purposes of computing the profits and gains arising from any trade, profession or vocation carried on by any person in so far as the computation is such as to require amounts in respect of the acquisition or redemption of a gilt-edged security (including any strip) to be brought into account.
- (2) Where a gilt-edged security is exchanged by any person for strips of that security—
 - (a) the security shall be deemed to have been redeemed at the time of the exchange by the payment to that person of its market value; and
 - (b) that person shall be deemed to have acquired each strip for the amount which bears the same proportion to that market value 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.
- (3) Where strips of a gilt-edged security are consolidated into a single security by being exchanged by any person for that security—
 - (a) 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; and
 - (b) that person shall be deemed to have acquired the security for the amount equal to the aggregate of the market values of the strips given in exchange for the security.
- (4) References in this section 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.
- (5) Subsections (3) and (4) of section 473 shall not apply in the case of any exchange to which subsection (2) or (3) above applies.
- (6) Without prejudice to the generality of any power conferred by section 202 of the Finance Act 1996, the Treasury may by regulations make provision for the purposes of this section as to the manner of determining the market value at any time of any gilt-edged security (including any strip).
- (7) Regulations under subsection (6) above may—
 - (a) make different provision for different cases; and
 - (b) contain such incidental, supplemental, consequential and transitional provision as the Treasury may think fit.
- (8) This section does not apply for the purposes of corporation tax.
- (9) In this section—

“gilt-edged security” has the same meaning as in section 51A; and

“strip” means anything which, within the meaning of section 47 of the ^{M5}Finance Act 1942, is a strip of a gilt-edged security.”

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Marginal Citations

M5 1942 c. 21.

The Taxation of Chargeable Gains Act 1992 (c. 12)

8 In Schedule 9 to the Taxation of Chargeable Gains Act 1992 (gilt-edged securities), after paragraph 1 there shall be inserted the following paragraph—

“1A (1) Any security which is a strip of a security which is a gilt-edged security for the purposes of this Act is also itself a gilt-edged security for those purposes.

(2) In this paragraph “strip” has the same meaning as in section 47 of the Finance Act 1942.”

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