



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 4

SAVINGS AND INVESTMENT INCOME

CHAPTER 8

PROFITS FROM DEEPLY DISCOUNTED SECURITIES

Deeply discounted securities

430 Meaning of “deeply discounted security”

- (1) The general rule is that a security is a “deeply discounted security” for the purposes of this Chapter if, as at the time it is issued, the amount payable on maturity or any other possible occasion of redemption (“A”) exceeds or may exceed the issue price by more than—

$$A \times 0.5 \% \times Y.$$

where Y is the number of years in the redemption period or 30, whichever is the lower.

- (2) If the redemption period is not a number of complete years, for the purposes of subsection (1) the incomplete year is expressed as twelfths, treating each complete month and any remaining part of a month as one-twelfth.
- (3) In this section “redemption period” means the period between the date of issue and the date of the occasion of redemption in question.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 430. (See end of Document for details)

- (4) Interest payable on an occasion of redemption is ignored in determining for the purposes of this section the amount payable on that occasion.
- (5) For the purposes of this section, in the case of an issue to which section 442 applies (securities issued in accordance with qualifying earn-out right), the issue price of the security is to be taken as the amount paid to acquire it (see section 442(2)).
- (6) The general rule in subsection (1) is subject to—
section 431 (excluded occasions of redemption),
section 432 (securities which are not deeply discounted securities),
sections 434 to 436 (securities issued in separate tranches),^{F1} . . .
section 443(1) (strips of government securities) [^{F2}, and
section 452A(1) (corporate strips).]

Textual Amendments

- F1** Word in s. 430(6) repealed (retrospectively) by Finance (No. 2) Act 2005 (c. 22), ss. 39, 70, Sch. 7 para. 25(2)(10), Sch. 11 Pt. 2(8)
- F2** Words in s. 430(6) added (retrospectively) by Finance (No. 2) Act 2005 (c. 22), s. 39, Sch. 7 para. 25(2)(10)

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There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 430.