



Income Tax Act 2007

2007 CHAPTER 3

PART 12

ACCRUED INCOME PROFITS

CHAPTER 2

ACCRUED INCOME PROFITS AND LOSSES

Excluded transfers

653 Stock lending

This Chapter does not apply to transfers of securities in circumstances such that any disposal and acquisition are disregarded for the purposes of capital gains tax as a result of section 263B(2) of TCGA 1992 (capital gains tax exemption for disposals in pursuance of stock lending arrangements).

654 Sale and repurchase arrangements

- (1) This section applies for the purposes of sections 655 to 658.
- (2) There is a sale and repurchase arrangement in respect of securities if the securities are transferred under an agreement to sell them and—
 - (a) the transferor (“T”) or a person connected with T is required to buy back the securities by the agreement or a related agreement,
 - (b) T or a person connected with T is required to buy back the securities as a result of the exercise of an option acquired under the agreement or a related agreement, or
 - (c) T or a person connected with T exercises an option to buy back the securities which was acquired under the agreement or a related agreement.

Status: This is the original version (as it was originally enacted).

- (3) Agreements are related for the purposes of this section if they are entered into in pursuance of the same arrangement (regardless of the date on which either agreement is entered into).
- (4) References in this section to buying back securities include—
 - (a) buying similar securities, and
 - (b) in the case of a person connected with T, buying the securities sold by T or similar securities.
- (5) Subsection (4) applies even if the person buying the securities has not held them before.
- (6) References in sections 656 and 657 to repurchase are to be read accordingly.
- (7) Securities are similar for the purposes of subsection (4) if they give their holders—
 - (a) the same rights against the same persons as to capital and interest, and
 - (b) the same remedies to enforce those rights.
- (8) Subsection (7) applies even if there is a difference in—
 - (a) the total nominal amounts of the securities,
 - (b) the form in which they are held, or
 - (c) the manner in which they can be transferred.

655 Transfers under sale and repurchase arrangements

- (1) If there is a sale and repurchase arrangement in respect of securities, this Chapter does not apply to the transfer by T or the transfer back under the arrangement.
- (2) But subsection (1) does not apply if section 608 prevents section 607 (treatment of price differences under repos) from applying in relation to the arrangement.

656 Power to modify: non-standard sale and repurchase arrangements

- (1) The Treasury may by regulations provide for section 655 to apply with modifications in relation to cases involving non-standard sale and repurchase arrangements.
- (2) A case involves a non-standard sale and repurchase arrangement if—
 - (a) there is a sale and repurchase arrangement in respect of securities,
 - (b) T makes a sale of the securities under the agreement to sell them (“the original sale”),
 - (c) the securities are UK shares, UK securities or overseas securities, and
 - (d) any of conditions A to E is met in relation to the sale and repurchase arrangement.
- (3) Condition A is that—
 - (a) the obligation to buy back the securities is not performed, or
 - (b) the option to buy them back is not exercised.
- (4) Condition B is that provision is made by or under an agreement for different or additional UK shares, UK securities or overseas securities to be treated as (or as included with) representative securities.

- (5) Condition C is that provision is made by or under an agreement for any UK shares, UK securities or overseas securities to be treated as not included with representative securities.
- (6) Condition D is that provision is made by or under an agreement for the sale price or repurchase price to be decided or varied wholly or partly by reference to post-agreement fluctuations.
- (7) Condition E is that provision is made by or under an agreement for a person to be required, in a case where there are post-agreement fluctuations, to make a payment in the period—
 - (a) beginning immediately after the making of the agreement for the original sale, and
 - (b) ending when the repurchase price becomes due.
- (8) “Post-agreement fluctuations” are fluctuations in the value of —
 - (a) securities transferred in pursuance of the original sale, or
 - (b) representative securities,which occur in the period after the making of the agreement for the original sale.
- (9) “Representative securities” are UK shares, UK securities or overseas securities which, for the purposes of the repurchase, are to represent securities transferred in pursuance of the original sale.

657 Power to modify: redemption arrangements

- (1) The Treasury may by regulations provide for section 655 to apply with modifications in relation to cases involving redemption arrangements.
- (2) A case involves redemption arrangements if—
 - (a) arrangements, corresponding to those made in cases where there is a sale and repurchase arrangement in respect of securities, are made by an agreement, or one or more related agreements, in relation to securities that are to be redeemed in the period after their sale,
 - (b) the securities are UK shares, UK securities or overseas securities, and
 - (c) the arrangements are such that the seller or a person connected with the seller (instead of being required to repurchase the securities or acquiring an option to do so) is granted rights in respect of the benefits that will result from the redemption.

658 Powers to modify: supplementary

- (1) Regulations under section 656 or 657 may make different provision for different cases.
- (2) Regulations under either section may contain incidental, supplemental, consequential and transitional provision and savings.
- (3) In this section and sections 656 and 657 “modifications” includes exceptions and omissions.
- (4) Accordingly, a power in sections 656 and 657 to provide for a provision to apply with modifications in relation to a particular case includes power to provide for the provision not to apply in relation to that case.

Status: This is the original version (as it was originally enacted).

- (5) In sections 656 and 657 “UK shares”, “UK securities” and “overseas securities” have the same meaning as in Part 11 (see sections 566 and 567).