



Income Tax Act 2007

2007 CHAPTER 3

PART 12

ACCRUED INCOME PROFITS

CHAPTER 2

ACCRUED INCOME PROFITS AND LOSSES

Charge to tax

616 Charge to tax on accrued income profits

Income tax is charged on accrued income profits.

617 Income charged

- (1) Tax is charged under this Chapter on the full amount of the accrued income profits treated as made in the tax year.
- (2) Accrued income profits within section 628(5) (profits treated as made where the settlement day falls within an interest period) are treated as made in the tax year in which the last day of the interest period in which the profits are treated as made falls.
- (3) Accrued income profits within section 630(2) (profits treated as made where the settlement day falls after the end of the securities' last interest period) are treated as made in the tax year in which the settlement day for the transfer falls.
- (4) Accrued income profits within section 670(2) or (3) (withdrawal of relief for unremittable transfer proceeds) are treated as made in the tax year in which the proceeds cease to be unremittable.
- (5) Section 668(5) (when proceeds are unremittable) applies for the purposes of subsection (4) as it applies for the purposes mentioned in section 668(5).

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- (6) For the meaning of “interest period” and “the settlement day”, see sections 673 and 674 respectively.

618 Person liable

- (1) The person liable for any tax charged under this Chapter is the person treated as making the accrued income profits.
- (2) But see section 666 (under which nominees and trustees may be disregarded).

Securities to which Chapter applies

619 Meaning of “securities” and when securities are of the same kind

- (1) In this Chapter “securities” includes—
- (a) any loan stock or similar security other than an excluded security, and
 - (b) shares in a building society which are qualifying shares for the purposes of section 117(4) of TCGA 1992 (qualifying corporate bonds),
- but (subject to paragraph (b)) it does not include any shares in a company.
- (2) For the purposes of subsection (1)(a), it does not matter—
- (a) whether the security is of the government of the United Kingdom, any other government, any public or local authority in the United Kingdom or elsewhere, or any company or other body,
 - (b) whether or not the security is secured,
 - (c) whether or not the security carries a right to interest of a fixed amount or at a fixed rate percentage of the nominal value of the security, or
 - (d) whether or not the security is in bearer form.
- (3) In this section “excluded securities” means—
- (a) national savings certificates (including Ulster Savings Certificates as defined in section 693(7) of ITTOIA 2005),
 - (b) war savings certificates,
 - (c) uncertificated eligible debt security units as defined in section 986,
 - (d) certificates of deposit (see section 1019),
 - (e) a security which is a right falling within section 552(1)(c) of ITTOIA 2005 at the time of the transfer in question,
 - (f) a security that meets the redemption conditions (see subsection (5)), and
 - (g) a security that is a deeply discounted security within the meaning of Chapter 8 of Part 4 of ITTOIA 2005.
- (4) But subsection (3)(g) does not include a security if, on its transfer, Chapter 8 of Part 4 of ITTOIA 2005 would apply subject to the rules in sections 454 to 456 of that Act (listed securities held since 26 March 2003).
- (5) The redemption conditions are that—
- (a) the security is redeemable,
 - (b) the amount payable on its redemption exceeds its issue price, and
 - (c) no return other than the amount of that excess is payable on it.

- (6) Securities are treated as being of the same kind for the purposes of this Chapter if they—
- (a) are treated as being of the same kind by the practice of a recognised stock exchange, or
 - (b) would be so treated if dealt in on such an exchange.

Transfers to which Chapter applies

620 Transactions which are transfers: general

- (1) References in this Chapter to the transfer of securities are—
- (a) to the transfer of securities by way of sale, exchange, gift or otherwise,
 - (b) to the conversion of securities in any case where there is no transfer of the securities within paragraph (a),
 - (c) to the redemption of variable rate securities, or
 - (d) to a transaction or event treated as a transfer under—
 - (i) section 648(1) or (3) (strips of gilt-edged securities),
 - (ii) section 649(4) (new securities issued with extra return),
 - (iii) section 650(2), (4) or (6) (trading stock appropriations etc),
 - (iv) section 651(2) (owner becoming entitled to securities as trustee), or
 - (v) section 652(2) (securities ceasing to be held on charitable trusts).
- (2) But subsection (1)(a) does not include—
- (a) the vesting of securities in personal representatives on death, or
 - (b) the transfer of a security to which Chapter 8 of Part 4 of ITTOIA 2005 applies subject to the rules in sections 454 to 456 of that Act.
- (3) For the purposes of this Chapter—
- (a) a transfer of securities under an agreement takes place when the agreement is made, and
 - (b) the person to whom they are to be transferred under the agreement becomes entitled to them at that time.
- (4) But in the case of a conversion of securities within subsection (1)(b), the transfer takes place on the day of the conversion.
- (5) And in the case of a redemption of securities within subsection (1)(c), the transfer takes place on the day of the redemption.
- (6) Subsection (1) is subject to—
- section 648(7) (transactions forming part of exchanges concerning strips of gilt-edged securities),
 - section 653 (stock lending), and
 - section 655 (transfers under sale and repurchase arrangements).
- (7) In this Chapter “conversion”, in relation to securities, has the meaning given by section 132 of TCGA 1992.

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

621 Transferors and transferees

- (1) In this Chapter “transferor” and “transferee” are to be read in accordance with section 620 (but this is subject to subsections (2) to (4)).
- (2) In the case of a conversion of securities within section 620(1)(b)—
 - (a) the person who was entitled to the securities immediately before the conversion is treated as the transferor, but
 - (b) no one is treated as the transferee.
- (3) In the case of a redemption of securities within section 620(1)(c)—
 - (a) the person who was entitled to the securities immediately before the redemption is treated as the transferor, but
 - (b) no one is treated as the transferee.
- (4) The following provisions also contain rules about who is the transferor or the transferee for certain transfers—
 - section 648(1) to (4) (strips of gilt-edged securities),
 - section 649(4) and (5) (new securities issued with extra return),
 - section 650 (trading stock appropriations etc),
 - section 651(2) and (3) (owner becoming entitled to securities as trustee),
 - section 652(2) and (3) (securities ceasing to be held on charitable trusts), and
 - section 666 (certain transfers by or to nominees or trustees treated as made by or to others).
- (5) See also sections 638 to 647 (excluded transferors and transferees).

622 Application of Chapter to different kinds of transfer

- (1) Different rules apply under this Chapter for the different kinds of transfer specified in subsection (2).
- (2) The transfers are—
 - (a) transfers with accrued interest (see section 623),
 - (b) transfers without accrued interest (see section 624),
 - (c) transfers with unrealised interest (see section 625), and
 - (d) transfers of variable rate securities (see section 626).
- (3) If a transfer is both a transfer with unrealised interest and a transfer of a kind specified in subsection (2)(a), (b) or (d), both the provisions of this Chapter applicable to transfers with unrealised interest and the provisions applicable to the other kind of transfer apply to the transfer.

623 Transfers with accrued interest

- (1) The general rule is that securities are transferred with accrued interest for the purposes of this Chapter if they are transferred with the right to receive interest payable—
 - (a) in a case where the settlement day is an interest payment day, on the settlement day, and
 - (b) in any other case, on the first interest payment day after the settlement day.

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- (2) But, in the case of the transfers specified in subsection (3), subsection (4) applies instead of subsection (1).
- (3) The transfers are those treated as made under—
 - (a) section 620(1)(b) (conversion),
 - (b) section 650 (trading stock appropriations etc),
 - (c) section 651 (owner becoming entitled to securities as trustee), and
 - (d) section 652 (securities ceasing to be held on charitable trusts).
- (4) If the person treated as the transferor had the right to receive interest payable as mentioned in subsection (1)(a) or (b), the securities are treated as transferred with accrued interest.
- (5) This section is subject to section 626 (transfers of variable rate securities).
- (6) See also—
 - section 648(6) (certain exchanges of strips treated as transfers with accrued interest), and
 - section 649(4) (issue of new securities with extra return treated as transfer with accrued interest).

624 Transfers without accrued interest

- (1) The general rule is that securities are transferred without accrued interest for the purposes of this Chapter if they are transferred without the right to receive interest payable as mentioned in section 623(1)(a) or (b).
- (2) But, in the case of the transfers specified in subsection (3), subsection (4) applies instead of subsection (1).
- (3) The transfers are those treated as made under—
 - (a) section 620(1)(b) (conversion),
 - (b) section 650 (trading stock appropriations etc),
 - (c) section 651 (owner becoming entitled to securities as trustee), and
 - (d) section 652 (securities ceasing to be held on charitable trusts).
- (4) If the person treated as the transferor did not have the right to receive interest payable as mentioned in section 623(1)(a) or (b), the securities are treated as transferred without accrued interest.
- (5) This section is subject to section 626 (transfers of variable rate securities).
- (6) See also section 648(5) (certain exchanges of strips treated as transfers without accrued interest).

625 Transfers with unrealised interest

- (1) For the purposes of this Chapter securities are transferred with unrealised interest if they are transferred with the right to receive interest payable on an interest payment day falling before the settlement day.
- (2) Such interest is referred to in this Chapter as “unrealised interest”.

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626 Transfers of variable rate securities

- (1) Sections 623 and 624 do not apply to transfers of variable rate securities.
- (2) Such transfers are not treated as transfers with accrued interest or transfers without accrued interest.

627 Meaning of “variable rate securities”

- (1) For the purposes of this Chapter securities are “variable rate securities” unless their terms of issue provide that throughout the period from issue to redemption (whenever redemption might occur) they are to carry interest at a rate which falls into one, and one only, of the categories specified in subsection (2).
- (2) The categories are—
 - (a) a fixed rate which is the same throughout the period,
 - (b) a rate which bears the same fixed relationship to a standard published base rate throughout the period, and
 - (c) a rate which bears the same fixed relationship to a published index of prices throughout the period.
- (3) In subsection (2) “published index of prices” means the retail prices index or any similar general index of prices which is published by the government of any territory outside the United Kingdom or by an agent of such a government.
- (4) In determining whether new securities (within the meaning of section 649 (new securities issued with extra return)) are variable rate securities, the interest payable on them on the first interest payment day after their issue is treated as payable in respect of the period beginning with the relevant period and ending with that day.
- (5) In subsection (4) “the relevant period” has the meaning given by section 649(8).

Calculating accrued income profits and losses

628 Making accrued income profits and losses: general rule

- (1) This section sets out the general rule for determining whether a person is treated as making accrued income profits or accrued income losses where securities are transferred by or to the person.
- (2) This section does not apply in a case where section 630 applies.
- (3) A separate calculation is to be made for each kind of security that is transferred by or to the person and for each interest period of each such kind of security.
- (4) Each such calculation is to find—
 - (a) the total amount (“A”) of the payments treated under this Chapter as made to the person in the interest period in question in respect of transfers of securities of the particular kind, and
 - (b) the total amount (“B”) of the payments treated under this Chapter as made by the person in that period in respect of such transfers.
- (5) A person is treated as making accrued income profits in an interest period as a result of transfers of securities of a particular kind if A exceeds B.

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- (6) A person is treated as making accrued income losses in an interest period as a result of transfers of securities of a particular kind if B exceeds A.
- (7) For the payments that are treated as made on transfers of different kinds, see—
 - section 632 (payment on transfer with accrued interest),
 - section 633 (payment on transfer without accrued interest),
 - section 634 (payment on transfer with unrealised interest),
 - section 635 (payment on transfer of variable rate securities), and
 - section 637(2) (accrued income losses treated as payment on transfer in next interest period).
- (8) See also—
 - section 638(2) (no account to be taken of any payment treated as made by or to excluded transferor or transferee), and
 - Chapter 3 (exemptions relating to interest on securities).

629 Calculating accrued income profits and losses where section 628 applies

- (1) If section 628(5) applies, the amount of the accrued income profits treated as made is equal to the excess mentioned in section 628(5).
- (2) If section 628(6) applies, the amount of the accrued income losses treated as made is equal to the excess mentioned in section 628(6).

630 Making accrued income profits: settlement day outside interest period

- (1) This section applies if—
 - (a) there is a transfer of securities with unrealised interest or a transfer of variable rate securities, and
 - (b) the settlement day for the transfer falls after the end of the only or last interest period of the securities.
- (2) The transferor is treated as making accrued income profits.
- (3) See also—
 - section 638(3) (no account to be taken of transfer if transferor is excluded transferor), and
 - section 681 (exemption for unrealised interest received by transferee after transfer).

631 Amount of accrued income profits where section 630 applies

- (1) In the case of a transfer of securities with unrealised interest to which section 630 applies, the amount of the accrued income profits treated as made is equal to the unrealised interest.
- (2) Subsection (1) is subject to section 660 (transfers with unrealised interest: interest in default).
- (3) In the case of a transfer of variable rate securities to which section 630 applies, the amount of the accrued income profits treated as made is such amount as is just and reasonable.

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The payments treated as made on transfers

632 Payment on transfer with accrued interest

- (1) In the case of a transfer of securities with accrued interest, for the purposes of this Chapter a payment is treated as made by the transferee to the transferor in the interest period in which the settlement day falls.
- (2) The amount of that payment depends on whether the transfer is under an arrangement by which the transferee accounts to the transferor separately—
 - (a) for the consideration for the securities, and
 - (b) for gross interest accruing to the settlement day.
- (3) If the transfer is under such an arrangement, the amount of the payment is the amount of gross interest which the transferee accounts for.
- (4) If—
 - (a) the transfer is not under such an arrangement, and
 - (b) the settlement day is itself an interest payment day for the securities,
 the amount of the payment is the amount of interest payable on the securities on that day.
- (5) If—
 - (a) the transfer is not under such an arrangement, and
 - (b) the settlement day is not an interest payment day for the securities,
 the amount of the payment is an amount equal to—

$$I \times \frac{A}{B}$$

where—

I is the interest payable on the securities on the first interest payment day after the settlement day (“the payment day”),

A is the number of days in the period beginning with the first day on which that interest accrues and ending with the settlement day, and

B is the number of days in the period beginning with the first day on which that interest accrues and ending with the payment day.
- (6) For the purposes of subsection (5), the first day on which that interest accrues is taken to be—
 - (a) the day after the last interest payment day before the settlement day, or
 - (b) if there was no interest payment day before the settlement day, the first day of the first interest period of the securities.
- (7) In a case where no one is treated as the transferor (see sections 648(4) and 649(5)), this section has effect as if—
 - (a) in subsection (1) the words “to the transferor” were omitted, and
 - (b) subsections (2), (3), (4)(a) and (5)(a) were omitted.
- (8) In a case where no one is treated as the transferee (see sections 621(2) and (3) and 648(2)), this section has effect as if—
 - (a) in subsection (1) the words “by the transferee” were omitted, and

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- (b) subsections (2), (3), (4)(a) and (5)(a) were omitted.
- (9) Subsections (2) to (5) are subject to section 662 (new securities issued with extra return: special rules about payments).
- (10) Subsections (4) and (5) are subject to section 659 (transfers with or without accrued interest: interest in default).

633 Payment on transfer without accrued interest

- (1) In the case of a transfer of securities without accrued interest, for the purposes of this Chapter a payment is treated as made by the transferor to the transferee in the interest period in which the settlement day falls.
- (2) The amount of that payment depends on whether the transfer is under an arrangement by which the transferor accounts to the transferee for gross interest accruing from the settlement day to the next interest payment day.
- (3) If the transfer is under such an arrangement, the amount of the payment is the amount of gross interest which the transferor accounts for.
- (4) If—
 - (a) the transfer is not under such an arrangement, and
 - (b) the settlement day is itself an interest payment day for the securities,the amount of the payment is nil.

- (5) If—
 - (a) the transfer is not under such an arrangement, and
 - (b) the settlement day is not an interest payment day for the securities,the amount of the payment is an amount equal to—

$$I \times \frac{A}{B}$$

where—

I is the interest payable on the securities on the first interest payment day after the settlement day (“the payment day”),

A is the number of days in the period beginning with the day after the settlement day and ending with the payment day, and

B is the number of days in the period beginning with the first day on which that interest accrues and ending with the payment day.

- (6) For the purposes of subsection (5), the first day on which that interest accrues is taken to be—
 - (a) the day after the last interest payment day before the settlement day, or
 - (b) if there is no interest payment day before the settlement day, the first day of the first interest period of the securities.
- (7) In a case where no one is treated as the transferor (see section 648(4)), this section has effect as if—
 - (a) in subsection (1) the words “by the transferor” were omitted, and
 - (b) subsections (2), (3), (4)(a) and (5)(a) were omitted.

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- (8) In a case where no one is treated as the transferee (see sections 621(2) and (3) and 648(2)), this section has effect as if—
 - (a) in subsection (1) the words “to the transferee” were omitted, and
 - (b) subsections (2), (3), (4)(a) and (5)(a) were omitted.
- (9) Subsection (5) is subject to section 659 (transfers with or without accrued interest: interest in default).
- (10) See also section 663(2) (reduction of amount of payment under this section where transfer to maker of manufactured payments).

634 Payment on transfer with unrealised interest

- (1) In the case of a transfer of securities with unrealised interest where the settlement day falls within an interest period, for the purposes of this Chapter a payment is treated as made to the transferor in that period.
- (2) The amount of the payment is equal to the unrealised interest.
- (3) Subsection (2) is subject to section 660 (transfers with unrealised interest: interest in default).
- (4) No one is treated as making the payment.
- (5) Accordingly, the payment is not brought into account in determining whether the transferee is treated as making accrued income profits or losses under section 628.
- (6) But see section 681 (exemption for unrealised interest received by transferee after transfer).
- (7) See section 630 for the rules that apply to transfers of securities with unrealised interest where the settlement day falls outside an interest period.

635 Payment on transfer of variable rate securities

- (1) In the case of a transfer of variable rate securities where the settlement day falls within an interest period, for the purposes of this Chapter a payment is treated as made to the transferor in that period.
- (2) The amount of the payment is such amount as is just and reasonable.
- (3) No one is treated as making the payment.
- (4) Accordingly, the payment is not brought into account in determining whether the transferee is treated as making accrued income profits or losses under section 628.
- (5) See section 630 for the rules that apply to transfers of variable rate securities where the settlement day falls outside an interest period.

Exception where there is a transfer to a legatee

636 Exception where there is a transfer to a legatee

- (1) This section applies if—
 - (a) an individual who is entitled to securities dies, and

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- (b) the securities are transferred by the personal representatives to a legatee.
- (2) If the securities are transferred in the interest period in which the death occurs, no payment is treated as made under this Chapter as a result of the transfer.
- (3) If the securities are variable rate securities and the deceased dies after the end of the only or last interest period of the securities, no accrued income profits are treated as made under section 630(2).
- (4) In this section “legatee” includes any person taking (whether beneficially or as trustee)
 -
 - (a) under a testamentary disposition, or
 - (b) on an intestacy or partial intestacy.
- (5) Such a person includes a person taking as a result of an appropriation by personal representatives in or towards the satisfaction of a legacy or other interest or share in the deceased’s property.

Relief for losses

637 Accrued income losses treated as payments in next interest period

- (1) This section applies if—
 - (a) a person is treated as making accrued income losses in an interest period as a result of transfers of securities, and
 - (b) the period does not end with an interest payment day.
- (2) For the purposes of this Chapter the person is treated as making a payment on a transfer of the securities in the next interest period equal to the amount of the losses.
- (3) For cases where the period does end with an interest payment day, see sections 678 to 680 (exemptions for interest on securities involving accrued income losses).

Excluded transferors and transferees

638 Excluded persons: disregard of certain payments and transfers

- (1) This section applies if there is a transfer of securities in relation to which a person (“P”) is an excluded transferor or excluded transferee.
- (2) In determining whether P has made accrued income profits or accrued income losses under section 628 (making accrued income profits and losses: general rule) and the amount of any such profits or losses, no account is to be taken of any payment treated as made by or to P on the transfer.
- (3) In determining whether P has made accrued income profits under section 630 (making accrued income profits: settlement day outside interest period) and the amount of any such profits, no account is to be taken of the transfer if P is an excluded transferor in relation to it.
- (4) For the cases where a person is an excluded transferor or excluded transferee in relation to a transfer, see—
 - section 639 (small holdings: individuals),

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section 640 (small holdings: personal representatives),
 section 641 (small holdings: trustees of a disabled person’s trusts),
 section 642 (traders),
 section 643 (non-residents),
 section 644 (individuals to whom the remittance basis applies),
 section 645 (charitable trusts etc),
 section 646 (pension scheme trustees), and
 section 647 (makers of manufactured payments).

- (5) Whether a person is an excluded transferee is also relevant to the application of section 681 (exemption for unrealised interest received by transferee after transfer).

639 Small holdings: individuals

- (1) In relation to a transfer with accrued interest or transfer without accrued interest, an individual is an excluded transferor or excluded transferee unless the nominal value of securities held by the individual exceeds £5,000 on any day—
- (a) in the tax year in which the interest period ends, or
 - (b) in the previous tax year.
- (2) In relation to a transfer with unrealised interest, an individual is an excluded transferor or excluded transferee unless the nominal value of securities held by the individual exceeds £5,000 on any day—
- (a) in the tax year in which the settlement day falls, or
 - (b) in the previous tax year.
- (3) In relation to a transfer of variable rate securities, an individual is an excluded transferor unless the nominal value of securities held by the individual exceeds £5,000 on any day in the relevant tax year or the previous tax year.
- (4) In subsection (3) “the relevant tax year” means—
- (a) if the settlement day falls in an interest period, the tax year in which the interest period ends, or
 - (b) otherwise, the tax year in which the settlement day falls.
- (5) For the purposes of this section, if—
- (a) an individual holds securities at a particular time, and
 - (b) any interest on them which became payable at that time would be treated for income tax purposes as part of another individual’s income,
- each of those individuals is treated as holding at that time the securities which the other holds, as well as those which that individual actually holds.

640 Small holdings: personal representatives

- (1) In relation to a transfer with accrued interest or transfer without accrued interest of securities that form part of a deceased person’s estate, the deceased’s personal representatives are an excluded transferor or excluded transferee unless the nominal value of securities held by the deceased’s personal representatives as such exceeds £5,000 on any day—
- (a) in the tax year in which the interest period ends, or
 - (b) in the previous tax year.

- (2) In relation to a transfer with unrealised interest of securities that form part of a deceased person's estate, the deceased's personal representatives are an excluded transferor or excluded transferee unless the nominal value of securities held by the deceased's personal representatives as such exceeds £5,000 on any day—
 - (a) in the tax year in which the settlement day falls, or
 - (b) in the previous tax year.
- (3) In relation to a transfer of variable rate securities that form part of a deceased person's estate, the deceased's personal representatives are an excluded transferor unless the nominal value of securities held by the deceased's personal representatives as such exceeds £5,000 on any day in the relevant tax year or the previous tax year.
- (4) In subsection (3) “the relevant tax year” has the meaning given by section 639(4).

641 Small holdings: trustees of a disabled person's trusts

- (1) In relation to a transfer with accrued interest or transfer without accrued interest of securities held on a disabled person's trusts, the trustees of the settlement are an excluded transferor or excluded transferee unless the nominal value of securities held by the trustees of the settlement as such exceeds £5,000 on any day—
 - (a) in the tax year in which the interest period ends, or
 - (b) in the previous tax year.
- (2) In relation to a transfer with unrealised interest of securities held on a disabled person's trusts, the trustees of the settlement are an excluded transferor or excluded transferee unless the nominal value of securities held by the trustees of the settlement as such exceeds £5,000 on any day—
 - (a) in the tax year in which the settlement day falls, or
 - (b) in the previous tax year.
- (3) In relation to a transfer of variable rate securities held on a disabled person's trusts, the trustees of the settlement are an excluded transferor unless the nominal value of securities held by the trustees of the settlement as such exceeds £5,000 on any day in the relevant tax year or the previous tax year.
- (4) In this section—
 - “disabled person's trusts” means trusts falling within paragraph 1(1) of Schedule 1 to TCGA 1992 (application of annual exempt amount), and
 - “the relevant tax year” has the meaning given by section 639(4).

642 Traders

- (1) In relation to a transfer of securities by a person carrying on a trade, the person is an excluded transferor if the transfer is taken into account for income tax purposes in calculating the profits or losses of the trade.
- (2) In relation to a transfer of securities at any time to a person carrying on a trade, the person is an excluded transferee if, had the transfer been made by the person at that time, it would have been taken into account for income tax purposes in calculating the profits or losses of the trade.

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643 Non-residents

- (1) A person is—
 - (a) an excluded transferor in relation to a transfer by the person, and
 - (b) an excluded transferee in relation to a transfer to the person,
 if the person is non-UK resident throughout the tax year in which the transfer occurs and is not ordinarily UK resident during that year.
- (2) In the case of a person who is carrying on a trade in the United Kingdom through a branch or agency during any part of that year (“a UK branch trader”), subsection (1) is subject to subsections (3) and (4).
- (3) A UK branch trader is not an excluded transferor under subsection (1) if the securities transferred were situated in the United Kingdom and used or held for the purposes of the branch or agency at or before the time of the transfer.
- (4) A UK branch trader is not an excluded transferee under subsection (1) if the securities transferred were situated in the United Kingdom at the time of the transfer and were acquired for use by or for the purposes of the branch or agency.
- (5) In this section “branch or agency” has the meaning given by section 10(6) of TCGA 1992.
- (6) The place where securities are situated is determined for the purposes of this section in accordance with sections 275(1) and (2)(b) and 275C of TCGA 1992.
- (7) Further provision about trustees who are non-UK resident is made in section 667 (trustees' accrued income profits treated as settlement income).

644 Individuals to whom the remittance basis applies

- (1) This section applies if—
 - (a) there is a transfer of securities by or to an individual in a tax year, and
 - (b) interest on the securities in respect of which the individual is liable to income tax for the tax year—
 - (i) is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis), or
 - (ii) would be so charged if there were any.
- (2) The individual is an excluded transferor in relation to the transfer if it is made by the individual.
- (3) The individual is an excluded transferee in relation to the transfer if it is made to the individual.

645 Charitable trusts etc

- (1) A person is—
 - (a) an excluded transferor in relation to a transfer of securities by the person, and
 - (b) an excluded transferee in relation to a transfer of securities to the person,
 if condition A or B is met.
- (2) Condition A is that if the person—
 - (a) became entitled to any interest on the securities, and

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- (b) applied it for charitable purposes only, exemption could be granted in respect of the interest under section 532 (exemption for certain savings and investment income that belongs to a charitable trust and is applicable and applied to charitable purposes only).
- (3) Condition B is that if the person—
 - (a) became entitled to any interest on the securities, and
 - (b) applied it for the purposes mentioned in section 533 (exemption for public revenue dividends that are applied only for the repair of college or church buildings etc), exemption could be granted in respect of the interest under that section.
- (4) For the transfer treated as occurring where charitable trusts over securities cease, see section 652 (securities ceasing to be held on charitable trusts).

646 Pension scheme trustees

A person is—

- (a) an excluded transferor in relation to a transfer of securities by the person, and
 - (b) an excluded transferee in relation to a transfer of securities to the person,
- if, were the person to become entitled to interest on the securities, exemption in respect of it would be allowable under section 186 of FA 2004 (exemption for income from investments held for the purposes of a registered pension scheme).

647 Makers of manufactured payments

- (1) This section applies if the manufactured payments conditions are met.
- (2) The manufactured payments conditions are that—
 - (a) securities are transferred without accrued interest to a person (“the seller”),
 - (b) the seller makes a contract for the sale of securities of that kind (“the seller’s contract”), and
 - (c) any contract under which the securities are transferred to the seller, or the seller’s contract itself, is a manufactured payments contract.
- (3) The seller is an excluded transferee in relation to the transfer to the seller if the nominal value of the securities subject to the seller’s contract equals or exceeds that of the securities transferred to the seller.
- (4) The seller is an excluded transferor in relation to the transfer of securities under the seller’s contract.
- (5) See section 663 (transfers without accrued interest to makers of manufactured payments) for cases where that nominal value is less than that of the securities transferred to the seller.
- (6) In this section “manufactured payments contract” means a contract under which the seller is required to pay another person manufactured interest or a manufactured overseas dividend as mentioned in section 578 or 581.

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Further transactions treated as transfers

648 Strips of gilt-edged securities

- (1) The exchange of a gilt-edged security for strips of that security is treated for the purposes of this Chapter as a transfer of the security by the person who exchanges the security.
- (2) But no one is treated as the transferee.
- (3) The exchange of strips of a gilt-edged security for a single gilt-edged security consolidating those strips is treated for the purposes of this Chapter as a transfer of the single security to the person who exchanges those strips.
- (4) But no one is treated as the transferor.
- (5) An exchange within subsection (1) or (3) is treated as a transfer without accrued interest if it 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.
- (6) In any other case, such an exchange is treated as a transfer with accrued interest.
- (7) If an exchange is treated as a transfer under subsection (1) or (3), any transaction forming part of the exchange is not itself a transfer for the purposes of this Chapter.
- (8) In this section “strip” has the meaning given by section 444 of ITTOIA 2005.
- (9) For the meaning of “gilt-edged security”, see section 1024.

649 New securities issued with extra return

- (1) This section applies if—
 - (a) securities (“old securities”) of a particular kind are issued by way of an original issue of securities of that kind,
 - (b) on a later occasion securities (“new securities”) of the same kind are issued,
 - (c) a sum (“the extra return”) is payable in respect of the new securities by the issuer of them to reflect the fact that interest is accruing on the old securities,
 - (d) the issue price of the new securities includes an element (whether or not separately identified) representing payment for the extra return, and
 - (e) the extra return is equal to the amount of interest mentioned in subsection (2).
- (2) The amount of interest referred to in subsection (1)(e) is—
 - (a) the amount of interest payable for the relevant period on so many old securities as there are new, or
 - (b) if there are more new securities than old, the amount of interest which would be so payable if there were as many old securities as new.
- (3) This section does not apply if the new securities are variable rate securities.
- (4) The new securities are treated as transferred with accrued interest to the person to whom they are issued on the new issue day.
- (5) But no one is treated as the transferor.
- (6) For the purposes of this Chapter, the settlement day for the transfer is taken to be the new issue day.

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(7) See section 662 for the amount of the payment treated as made in the case of the transfer.

(8) In this section—

“the relevant period” is the period beginning with the day after—

(a) the only or last interest payment day before the new issue day, or

(b) if there is no interest payment day before the new issue day, the day on which the old securities are issued,

and ending with the new issue day, and

“the new issue day” is the day on which the new securities are issued.

650 Trading stock appropriations etc

(1) Subsection (2) applies if a person—

(a) acquires securities otherwise than as trading stock of a trade the person carries on, and

(b) appropriates the securities as trading stock for the purposes of such a trade (whether on the start of the trade or otherwise).

(2) The person is treated for the purposes of this Chapter as transferring the securities otherwise than in the course of the trade, and re-acquiring them in the course of the trade, on the day of appropriation.

(3) Subsection (4) applies if securities—

(a) form part of the trading stock of a person’s trade, and

(b) are appropriated by the person for any other purpose.

(4) The person is treated for the purposes of this Chapter as transferring the securities in the course of the trade, and re-acquiring them otherwise than in the course of the trade, on the day of appropriation.

(5) Subsection (6) applies if securities—

(a) form part of the trading stock of a person’s trade, and

(b) are retained by the person on ceasing to carry on the trade.

(6) The person is treated for the purposes of this Chapter as transferring the securities in the course of the trade, and re-acquiring them otherwise than in the course of the trade, on the day of cessation.

(7) See sections 623(2) to (4) and 624(2) to (4) for cases where securities are treated as transferred with or without accrued interest where this section applies.

651 Owner becoming entitled to securities as trustee

(1) This section applies if a person entitled to securities otherwise than as trustee becomes trustee of them.

(2) The person is treated for the purposes of this Chapter as transferring the securities at the time the person becomes trustee of them.

(3) The transfer is treated as being made—

(a) by the person in a capacity other than trustee, and

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- (b) to the person and, if there are any other trustees, to the others in the capacity of trustees.
- (4) See sections 623(2) to (4) and 624(2) to (4) for cases where securities are treated as transferred with or without accrued interest where this section applies.

652 Securities ceasing to be held on charitable trusts

- (1) This section applies if securities held on charitable trusts cease to be subject to those trusts.
- (2) The trustees are treated for the purposes of this Chapter as transferring the securities at the time when the securities cease to be so subject.
- (3) The transfer is treated as being made by the trustees in their capacity as charitable trustees to themselves in another capacity.
- (4) See sections 623(2) to (4) and 624(2) to (4) for cases where securities are treated as transferred with or without accrued interest where this section applies.

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.
- (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.

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- (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.
- (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).

Special rules about some calculations

659 Transfers with or without accrued interest: interest in default

- (1) This section applies if—
 - (a) the amount of the payments treated as made on a transfer of securities is to be determined under section 632(4) or (5), 633(5) or 662(4) (cases where interest is not accounted for separately),
 - (b) there has been a failure to pay interest due on the securities, and
 - (c) as a result of the failure, on the interest payment day which is or follows the settlement day the value of the right to receive the interest payable on the securities is less than the interest payable.
- (2) The calculation under section 632(4) or (5), 633(5) or 662(4) is to be made by reference to that value instead of the interest.

660 Transfers with unrealised interest: interest in default

- (1) This section applies if—
 - (a) securities are transferred with unrealised interest,
 - (b) there has been a failure to pay interest due on the securities transferred, and
 - (c) as a result of the failure, on the day of the transfer the value of the right to receive the unrealised interest (“the unrealised interest value”) is less than the unrealised interest.
- (2) The amount of the payment treated as made to the transferor under section 634(2) is taken to be the unrealised interest value instead of the amount of the unrealised interest.
- (3) The amount of accrued income profits under section 631(1) is taken to be the unrealised interest value instead of the amount of the unrealised interest.
- (4) Subsections (2) and (3) are subject to section 661 (successive transfers with unrealised interest in default).
- (5) For the purposes of this section and section 661, a person is treated as transferring securities of a particular kind which the person acquired later before securities of that kind acquired earlier.
- (6) See also section 681 (exemption for unrealised interest received by transferee after transfer).

661 Successive transfers with unrealised interest in default

- (1) The amount taken as the unrealised interest value for the purposes of section 660(2) or (3) is reduced if the person (“T”) who makes the transfer referred to in section 660(1) also acquired the securities with the right to receive unrealised interest.
- (2) The amount of the reduction depends on whether subsection (3) applies.
- (3) This subsection applies if—
 - (a) T has received, as transferee, some or all of that unrealised interest, and
 - (b) T is liable for income tax on it for the tax year in which it was received.

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- (4) If subsection (3) applies, the reduction is equal to the value on the day of the transfer to T of the right to receive the unrealised interest (“the earlier value”) less the total so received.
- (5) If subsection (3) does not apply, the reduction is equal to the earlier value.
- (6) But if the reduction under subsection (4) or (5) exceeds the amount mentioned in subsection (1), that amount is treated as reduced to nil.

662 New securities issued with extra return: special rules about payments

- (1) In the case of a transfer treated as made under section 649 (new securities issued with extra return), the amount of the payment treated as made under section 632(1) (payment on transfer with accrued interest) is not determined under section 632(2) to (5).
- (2) Instead, that amount depends on whether under the issue arrangements the person to whom the new securities are issued accounts to the issuer separately—
 - (a) for the extra return, and
 - (b) for the rest of the issue price.
- (3) If the person does account for them separately, the amount of the payment is the amount of the extra return separately accounted for.
- (4) If the person does not account for them separately, the amount of the payment is an amount equal to—

$$I \times \frac{A}{B}$$

where—

I is the interest payable on the new securities on the first interest payment day after the new issue day (“the payment day”),

A is the number of days in the relevant period, and

B is the number of days in the period beginning with the first day of the relevant period and ending with the payment day.

- (5) Subsection (4) is subject to section 659 (transfers with or without accrued interest: interest in default).
- (6) In this section “the extra return”, “the new issue day”, “new securities” and “the relevant period” have the same meaning as in section 649.

663 Transfers without accrued interest to makers of manufactured payments

- (1) This section applies if—
 - (a) the manufactured payments conditions are met (see section 647(2)), and
 - (b) the nominal value of the securities subject to the seller’s contract is less than that of the securities transferred to the seller.
- (2) The amount of the payment treated as made to the seller under section 633 on the transfer of the securities to the seller is reduced.

- (3) The reduction is by so much of that amount as is attributable to securities (“the matched securities”) of a nominal value equal to that of the securities subject to the seller’s contract.
- (4) If there is more than one transfer of securities to the seller, those transferred to the seller earlier are treated as the matched securities before those transferred later.
- (5) In this section “the seller” and “the seller’s contract” have the same meaning as in section 647.
- (6) For cases where subsection (1)(b) does not apply, see section 647(3) (under which the seller is treated as an excluded transferee).

664 Foreign currency securities: sterling equivalent of payments on transfers

- (1) The sterling equivalent of the amount of the payment treated as made on a transfer of securities is determined in accordance with this section if interest on the securities is payable in a currency other than sterling (“a foreign currency”).
- (2) If the payment is determined under section 632(3), 633(3) or 662(3) (transfers under an arrangement by which interest is accounted for separately), the amount of the payment depends on whether the sterling equivalent of the interest separately accounted for is shown in an agreement for transfer.
- (3) If the sterling equivalent is so shown, the amount of the payment is taken to be that sterling equivalent.
- (4) If the sterling equivalent is not so shown, the amount is taken to be the sterling equivalent on the settlement day of the interest separately accounted for.
- (5) If the amount of the payment treated as made is determined under any other provision (except section 660 (transfers with unrealised interest: interest in default)), the amount is taken to be its sterling equivalent on the settlement day.
- (6) For the purposes of this section, the sterling equivalent of an amount or value in a foreign currency is to be calculated by reference to the London closing rate of exchange for the day concerned.

665 Foreign currency securities: unrealised interest payable in foreign currency

- (1) This section applies if unrealised interest is payable in a currency other than sterling (“a foreign currency”).
- (2) For the purposes of section 631(1) (amount of accrued income profits where settlement day outside interest period) the amount of the unrealised interest is taken to be its sterling equivalent on the settlement day.
- (3) For the purposes of sections 660 (transfers with unrealised interest: interest in default) and 661 (successive transfers with unrealised interest in default), the value on any day of the right to receive unrealised interest is the sterling equivalent on that day of that value in the foreign currency.
- (4) For the purposes of those sections unrealised interest received in a foreign currency is taken to be the sterling equivalent on the day of receipt of the amount received.

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- (5) For the purposes of this section, the sterling equivalent of an amount or value in a foreign currency is to be calculated by reference to the London closing rate of exchange for the day concerned.

Nominees and trustees

666 Certain transfers by or to nominees or trustees treated as made by or to others

- (1) Transfers of securities by or to a person as nominee for another person (“A”) are treated for the purposes of this Chapter as transfers by or to A.
- (2) Transfers of securities by or to a person (“T”) as trustee for another person (“B”) are treated for the purposes of this Chapter as transfers by or to B if B is absolutely entitled as against T.
- (3) For the purposes of subsection (2) where T is the transferor, B is absolutely entitled as against T if immediately before the transfer B has the exclusive right to direct how the securities are to be dealt with.
- (4) For the purposes of subsection (2) where T is the transferee, B is absolutely entitled as against T if immediately after the transfer B has that exclusive right.
- (5) For the purposes of subsections (3) and (4), a right to direct how securities are to be dealt with is treated as an exclusive right despite being subject to satisfying any outstanding charge, lien or other right of the trustee to resort to the securities for payment of duty, taxes, costs or other outgoings.
- (6) Subsection (1) applies to a transfer of securities by or to a person as nominee for two or more persons as it applies to a transfer of securities by or to a person as nominee for one person, taking the references to A as references to the two or more persons.
- (7) This section applies to a transfer of securities by or to a person as trustee for two or more persons as it applies to a transfer of securities as trustee for one person, taking—
 - (a) the references to B as references to the two or more persons, and
 - (b) the references to B being absolutely entitled as references to the two or more persons being jointly absolutely entitled.
- (8) The fact that a person is an infant or otherwise lacks legal capacity is to be disregarded in determining for the purposes of this section whether the person is absolutely entitled as against T.

667 Trustees' accrued income profits treated as settlement income

- (1) If the trustees of a settlement are treated as making qualifying accrued income profits, those profits are to be taken to be income arising under the settlement for the purposes of Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor).
- (2) Subsection (3) applies if the trustees of a settlement—
 - (a) are non-UK resident or domiciled outside the United Kingdom throughout a tax year in which an interest period or part of an interest period falls, and
 - (b) would have been treated as making an amount or an additional amount of qualifying accrued income profits in the interest period if the trustees had been

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UK resident or domiciled in the United Kingdom during a part of each such tax year.

- (3) The amount or additional amount of qualifying accrued income profits that the trustees would have been treated as making is to be taken to be income arising under the settlement for the purposes of Chapter 5 of Part 5 of ITTOIA 2005.
- (4) In this section—
 - (a) “qualifying accrued income profits” means accrued income profits which are treated as made—
 - (i) under section 628(5), or
 - (ii) under section 630(2) in respect of a transfer of variable rate securities, and
 - (b) in any case where there are no trustees of a settlement, references to such trustees are to any persons entitled to securities comprised in the settlement.
- (5) In the case of qualifying accrued income profits within subsection (4)(a)(ii)—
 - (a) the reference in subsection (2)(a) to an interest period is to the period—
 - (i) beginning with the day after the last day of the only or last interest period of the securities, and
 - (ii) ending with the settlement day, and
 - (b) the reference in subsection (2)(b) to making qualifying accrued income profits in the interest period is to be read as making them in the tax year in which settlement day falls.

Relief where transfer proceeds unremittable

668 Relief for unremittable transfer proceeds: general

- (1) This section applies if—
 - (a) a person is liable for income tax on accrued income profits,
 - (b) the profits are calculated by reference to payments treated as made to the person in an interest period,
 - (c) the payments are so treated as a result of the person making transfers of foreign securities of a particular kind, and
 - (d) the proceeds of the transfers are unremittable in the tax year.
- (2) If the person makes a claim for relief under this section—
 - (a) the profits are reduced by the amount of the payments treated as made to the person, or
 - (b) if that amount exceeds the profits, the profits are reduced to nil.
- (3) But see section 670 (withdrawal of relief).
- (4) In this section and section 669 “foreign securities” means securities which are situated outside the United Kingdom.
- (5) For the purposes of this section and sections 669 and 670, proceeds of transfers of foreign securities are unremittable in relation to a person if the person is prevented from transferring them to the United Kingdom because of—
 - (a) the laws of the territory where the securities are situated,
 - (b) executive action of its government, or

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- (c) the impossibility of obtaining there currency that could be transferred to the United Kingdom.
- (6) For the purposes of this section the place where securities are situated is to be determined in accordance with sections 275(1) and (2)(b) and 275C of TCGA 1992.
- (7) Any claim under this section must be made on or before the fifth anniversary of the normal self-assessment filing date for the tax year for which the profits would be chargeable to tax if no claim were made.
- (8) A person's personal representatives may make any claim under this section which the person might have made.

669 Relief for unremittable transfer proceeds: section 630 profits

- (1) This section applies if—
 - (a) a person is liable for income tax on accrued income profits within section 630(2) (making accrued income profits: settlement day outside interest period),
 - (b) the person is so liable as a result of making transfers of foreign securities of a particular kind, and
 - (c) the proceeds of the transfers are unremittable in the tax year.
- (2) If the person makes a claim for relief under this section the profits are reduced to nil.
- (3) But see section 670 (withdrawal of relief).
- (4) Any claim under this section must be made on or before the fifth anniversary of the normal self-assessment filing date for the tax year for which the profits would be chargeable to tax if no claim were made.
- (5) A person's personal representatives may make any claim under this section which the person might have made.

670 Withdrawal of relief

- (1) This section applies if—
 - (a) a claim under section 668(2) or 669(2) has been made in relation to profits, and
 - (b) the proceeds of the transfers cease to be unremittable.
- (2) The claimant is treated as making accrued income profits of an amount equal to the reduction under that section.
- (3) If the claimant has died, the claimant's personal representatives are so treated.

Interpretation

671 Meaning of “interest”

- (1) In this Chapter “interest” includes dividends and any other return (however described).
- (2) But it does not include a return consisting of the difference between the amount payable on a security's redemption and its issue price.

672 Meaning of “interest payment day”

- (1) In this Chapter “interest payment day”, in relation to securities of any kind, means a day on which interest on those securities is payable.
- (2) If a particular payment of interest may be made on one of a number of days, the first of them is the interest payment day.

673 Meaning of “interest period”

- (1) The general rule is that for the purposes of this Chapter—
 - (a) the first interest period of securities of any kind begins with the day after that on which those securities are first issued and ends with the first interest payment day or, if it is earlier, the expiry of 12 months, and
 - (b) any other interest period of those securities begins with the day after the last day of their previous interest period and ends with the next interest payment day or, if it is earlier, the expiry of 12 months.
- (2) Subsection (1) is subject to subsections (3) and (4).
- (3) The last interest period of securities of any kind ends with the last interest payment day for those securities, unless subsection (4) applies.
- (4) An interest period of securities of any kind in which either of the events specified in subsection (5) occurs is treated as ending on the day on which it would have ended apart from that event.
- (5) The events are—
 - (a) a conversion of those securities, and
 - (b) if those securities are gilt-edged securities, the exchange of those securities for strips of those securities.
- (6) In this section “strip” has the meaning given by section 444 of ITTOIA 2005.
- (7) See also section 667(5) (construction of reference to “interest period” in section 667(2)).

674 Meaning of “the settlement day”

- (1) For the purposes of this Chapter the settlement day for a transfer of securities in accordance with the rules of a recognised market is—
 - (a) the day on which the transferee agrees to settle, or
 - (b) if the transferee may settle on one of a number of days, the day on which settlement actually occurs.
- (2) The settlement day for a transfer of securities which is not in accordance with such rules is determined in accordance with subsection (3), (4) or (6) (and see also section 649(6): settlement day where new securities issued with extra return).
- (3) If—
 - (a) the consideration for the transfer is money alone, and
 - (b) the transferee agrees to pay the whole of it on or before the first interest payment day after an agreement for the transfer is made,

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the settlement day is the day on which the transferee agrees to make the payment or, if payment may be made on one of a number of days, or on a number of different days, the latest of them.

- (4) If—
- (a) there is no consideration for the transfer, or
 - (b) the transfer is a transfer because of a provision specified in subsection (5),
- the settlement day is the day on which the securities are transferred.
- (5) The provisions are—
- section 620(1)(b) or (c) (conversion, or redemption of variable rate securities),
 - section 648(1) or (3) (exchanges relating to strips of gilt-edged securities),
 - section 650 (trading stock appropriations etc),
 - section 651 (owner becoming entitled to securities as trustee), and
 - section 652 (securities ceasing to be held on charitable trusts).
- (6) If neither subsection (3) nor (4) applies, the settlement day is such day as an officer of Revenue and Customs decides.
- (7) The jurisdiction of the General Commissioners or the Special Commissioners on any appeal includes jurisdiction to affirm or replace such a decision.

675 The holding of securities

- (1) For the purposes of this Chapter, a person holds securities—
- (a) at a particular time if the person is entitled to them at that time, and
 - (b) on a particular day if the person is entitled to them throughout that day or becomes and does not cease to be entitled to them on that day.
- (2) A person acquires securities when the person becomes entitled to them.
- (3) If a Scottish partnership carries on a trade or business—
- (a) any partnership dealings are treated as dealings by the partners and not by the partnership as such, and
 - (b) the partners are treated as being entitled to securities held by the partnership.

676 Nominal value of securities: general

- (1) If the interest on securities is expressed to be payable by reference to a given value, for the purposes of this Chapter their nominal value is that value.
- (2) In any other case, the nominal value of securities for those purposes is their price when they were issued.
- (3) See section 677 if the nominal value of the securities is expressed in a currency other than sterling.

677 Nominal value: foreign currency securities

- (1) If the nominal value of securities is expressed in a currency other than sterling (“a foreign currency”), for the purposes of this Chapter their nominal value on any day is taken to be the sterling equivalent on that day of that value.

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

- (2) For the purposes of this section, the sterling equivalent of a value in a foreign currency is to be calculated by reference to the London closing rate of exchange for the day concerned.