



Corporation Tax Act 2009

2009 CHAPTER 4

PART 3 **U.K.**

TRADING INCOME

CHAPTER 9 **U.K.**

TRADE PROFITS: OTHER SPECIFIC TRADES

Dealers in securities etc

128 Taxation of amounts taken to reserves **U.K.**

- (1) This section applies for the purpose of calculating the profits of a company's trade if—
 - (a) the company carries on a banking business, an insurance business or a business consisting wholly or partly of dealing in securities, and
 - (b) a profit on the sale of securities held by the company would be brought into account in calculating the trading profits of that business.
- (2) Profits and losses from the securities that in accordance with generally accepted accounting practice are—
 - (a) calculated by reference to the fair value of the securities, and
 - (b) recognised in the company's statement of recognised gains and losses or statement of changes in equity,are brought into account in calculating the profits of the trade.
- (3) But subsection (2) does not apply—
 - (a) to an amount so far as deriving from or otherwise relating to an amount brought into account under that subsection in an earlier period of account, or
 - (b) to an amount recognised for accounting purposes by way of correction of a fundamental error.

Status: Point in time view as at 17/07/2013.

Changes to legislation: Corporation Tax Act 2009, Cross Heading: Dealers in securities etc is up to date with all changes known to be in force on or before 27 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (4) In this section “securities” includes—
- (a) shares,
 - (b) rights of unit holders in unit trust schemes to which TCGA 1992 applies as a result of section 99 of TCGA 1992, and
 - (c) in the case of a company with no share capital, interests in the company possessed by members of the company,
- but does not include a loan relationship (within the meaning of Part 5).

129 Conversion etc of securities held as circulating capital **U.K.**

- (1) This section applies for the purpose of calculating the profits of a company's trade if—
- (a) the company carries on a banking business, an insurance business or a business consisting wholly or partly of dealing in securities,
 - (b) a transaction falling within subsection (2) occurs in relation to securities (“the original holding”), and
 - (c) a profit on the sale of the securities would be brought into account in calculating the trading profits of that business.
- (2) A transaction falls within this subsection if—
- (a) it results in a new holding being treated as the same as the original holding as a result of sections 126 to 136 of TCGA 1992 (roll-over relief in cases of conversion etc), or
 - (b) it is treated, as a result of section 134 of TCGA 1992 (compensation stock), as an exchange for a new holding which does not involve a disposal of the original holding.
- (3) This section does not apply to securities in respect of which unrealised profits or losses, calculated by reference to the fair value of the securities at the end of the period of account, are taken into account in the period of account in which the transaction occurs.
- (4) The transaction is treated as not involving a disposal of the original holding and the new holding is treated as the same asset as the original holding.
- (5) But if, under the transaction, the company carrying on the trade—
- (a) receives consideration in addition to the new holding, or
 - (b) becomes entitled to receive such consideration,
- subsection (4) applies as if the references to the original holding were to the proportion of the original holding given by the following fraction.
- (6) The fraction is—

$$\frac{NH}{NH + C}$$

where—

NH is the market value of the new holding at the time of the transaction, and

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C is the market value of the consideration at the time of the transaction or (if the consideration is cash) the amount of the consideration.

- (7) In determining whether subsection (2)(a) applies as a result of section 135 or 136 of TCGA 1992, the reference to capital gains tax in section 137(1) of TCGA 1992 is to be read as a reference to income tax.
- (8) In this section “securities” includes—
- (a) shares,
 - (b) rights of unit holders in unit trust schemes to which TCGA 1992 applies as a result of section 99 of TCGA 1992, and
 - (c) in the case of a company with no share capital, interests in the company possessed by members of the company.

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