

1987 No. 844

INCOME TAX

The Income Tax (Building Societies) (Amendment)
Regulations 1987

Made - - - - - 8th May 1987

Laid before the House of Commons 11th May 1987

Coming into force 1st June 1987

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by section 343 (1A) of the Income and Corporation Taxes Act 1970(a), hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Income Tax (Building Societies) (Amendment) Regulations 1987 and shall come into force on 1st June 1987.

Interpretation

2. In these Regulations "the 1986 Regulations" means the Income Tax (Building Societies) Regulations 1986(b).

Amendments to the 1986 Regulations

3. In regulation 2(1) of the 1986 Regulations—

- (a) in paragraph (a) of the definition of "qualifying certificate of deposit" after "£50,000" there shall be inserted "(or, for a deposit denominated in foreign currency, not less than the equivalent of £50,000 at the time when the deposit is made)";
- (b) in paragraph (b) of the definition of "qualifying certificate of deposit"—
 - (i) the words "before the expiry of the period of twelve months" shall be omitted, and
 - (ii) after the word "arises" there shall be inserted "not later than the end of the period of five years";
- (c) in paragraph (a) of the definition of "qualifying time deposit"—
 - (i) the words "in sterling and" shall be omitted, and
 - (ii) after "£50,000" there shall be inserted "(or, for a deposit denominated in foreign currency, not less than the equivalent of £50,000 at the time when the deposit is made)".

(a) 1970 c.10; subsection (1A) was inserted in section 343 by section 40(3) of the Finance Act 1985 (c.54) and amended by section 47(1) of the Finance Act 1986 (c.41). Other relevant amendments to section 343 were made by sections 37 and 38 of, and paragraph 40 of Schedule 6 and Part II of Schedule 14 to, the Finance Act 1971 (c.68), section 111 of, and paragraph 22 of Schedule 24 to, the Finance Act 1972 (c.41), section 14 of, and paragraph 5(a) of Schedule 2 to the Finance Act 1978 (c.42), sections 26(5) and 128 of, and Part V of Schedule 23 to, the Finance Act 1984 (c.43), by sections 40 and 98(6) of, and Part V of Schedule 27 to, the Finance Act 1985 (c.54) and by section 47(2) and (3) of the Finance Act 1986. (b) S.I. 1986/482.

4. In regulation 6(1) of the 1986 Regulations after paragraph (f) there shall be inserted—

“(ff) a payment to a company resident in the United Kingdom, which company is a 51 per cent. subsidiary of the building society making the payment, where the building society and the company have jointly elected that any such payments shall be made gross and the election is in force at the time of the payment;”.

5. After regulation 6(2) of the 1986 Regulations there shall be inserted—

“(3) Section 257 of the Taxes Act 1970 shall apply to an election under paragraph (1) (ff) as it applies to an election under subsection (1) or subsection (2) of section 256 of that Act but as if—

- (a) subsection (2) were omitted, and
 - (b) the references in subsections (1), (3) and (4) to “the companies” were references to “the building society and the company” and the reference in subsection (3) to “each company” were a reference to “both the building society and the company”.
- (4) For the purposes of paragraph (1) (ff)—
- (a) a company shall be treated as a 51 per cent subsidiary of a building society if and so long as more than 50 per cent. of its ordinary share capital is owned directly or indirectly by the building society,
 - (b) subject to paragraph (c), a building society shall be treated as owning share capital directly or indirectly in a company if it would be so treated for the purposes of section 532 of the Taxes Act, and
 - (c) in determining whether a building society owns more than 50 per cent. of the ordinary share capital of a company, it shall be treated as not being the owner—
 - (i) of any share capital which it owns directly or indirectly in a company which is not resident in the United Kingdom, or
 - (ii) of any share capital which it owns indirectly and which is owned directly by a company for which a profit on the sale of the shares would be a trading receipt.”

A. J. G. Isaac
B. Pollard

8th May 1987

Two of the Commissioners of Inland Revenue

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on 1st June 1987, amend the Income Tax (Building Societies) Regulations 1986 ("the 1986 Regulations").

Regulation 1 provides for citation and commencement.

Regulation 2 provides for interpretation.

Regulation 3(a) amends the definition of "qualifying certificate of deposit" in regulation 2(1) of the 1986 Regulations in relation to deposits denominated in a foreign currency.

Regulation 3(b) further amends the definition of "qualifying certificate of deposit" in regulation 2(1) of the 1986 Regulations by increasing the period, within which the obligation of a building society to pay the amount payable by it must arise, from less than twelve months beginning on the date of issue of the certificate to five years beginning on that date.

Regulation 3(c) amends the definition of "qualifying time deposit" in regulation 2(1) of the 1986 Regulations, by removing the requirement that the deposit must be in sterling.

Regulation 4 amends regulation 6(1) of the 1986 Regulations (gross payments) so that a payment to a 51 per cent. subsidiary company of a building society may be made gross where the building society and the subsidiary company jointly elect that the payment should be so made.

Regulation 5 makes procedural amendments to Regulation 6 of the 1986 Regulations consequent on the power to make gross payments to subsidiary companies.