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STATUTORY INSTRUMENTS

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**1995 No. 2934**

**INCOME TAX**

**The Income Tax (Gilt-edged Securities)  
(Gross Payments of Interest) Regulations 1995**

*Made - - - - 15th November 1995*  
*Laid before the House of*  
*Commons - - - - 15th November 1995*  
*Coming into force - - 23rd November 1995*

The Treasury, in exercise of the powers conferred on them by section 51A(3) to (5) and (9) of the Income and Corporation Taxes Act 1988(1), hereby make the following Regulations:

**Citation, commencement and effect**

1. These Regulations may be cited as the Income Tax (Gilt-edged Securities) (Gross Payments of Interest) Regulations 1995, shall come into force on 23rd November 1995, and shall have effect with respect to any payment of interest on gilt-edged securities which is made on or after 2nd January 1996.

**Interpretation**

2. In these Regulations unless the context otherwise requires—

“approved CGO member” means a CGO member who is approved by the Board to receive interest on gilt-edged securities without deduction of income tax;

“arrangements” means arrangements under which gilt-edged securities of an eligible person are held;

“the Board” means the Commissioners of Inland Revenue;

“business establishment”, in relation to a person having a business establishment in the United Kingdom, means premises which are, or are intended to be, occupied and used with a reasonable degree of permanence;

“CGO” means the Central Gilts Office of the Bank of England;

“CGO member” means a person who has been admitted to membership of the CGO by the Bank of England;

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(1) 1988 c. 1; section 51A was inserted by section 77 of the Finance Act 1995 (c. 4).

“the Crown Agents” has the meaning given by section 1(2) of the Crown Agents Act 1979<sup>(2)</sup>;

“EEA Agreement” means the Agreement on the European Economic Area signed at Oporto on 2nd May 1992<sup>(3)</sup> as adjusted by the Protocol signed at Brussels on 17th March 1993<sup>(4)</sup>;

“EEA State” means a State, other than the United Kingdom, which is a Contracting Party to the EEA Agreement;

“eligible person” shall be construed in accordance with subsection (2) of section 51A;

“intermediary” means any person through whom an instruction is passed to a CGO member or another intermediary in connection with the holding of gilt-edged securities of an eligible person;

“notice” means notice in writing;

“recognised intermediary” has the meaning given by regulation 6(2);

“section 51A” means section 51A of the Taxes Act;

“STAR account” means an account designated by the CGO for the holding of gilt-edged securities of an eligible person;

“Taxes Act” means the Income and Corporation Taxes Act 1988<sup>(5)</sup>.

### **Conditions relating to arrangements for the holding of gilt-edged securities—general**

3. For the purposes of subsection (3)(a) of section 51A, the conditions that are to be satisfied in relation to arrangements for the holding of any gilt-edged securities are those specified in regulations 4 to 6.

### **Condition relating to accounts in which gilt-edged securities are held**

4. The condition specified in this regulation is that gilt-edged securities are held under the arrangements in a STAR account.

### **Condition relating to holder of gilt-edged securities**

5.—(1) The condition specified in this regulation is that gilt-edged securities are held under the arrangements by a person who—

- (a) is a CGO member, and
- (b) is approved by the Board to receive interest on those securities without deduction of income tax.

(2) An application for approval under paragraph (1) above shall be made in writing to the Board.

(3) On receipt of an application under paragraph (2) above, the Board may by notice require the applicant to furnish them with such information as they may reasonably require to enable them to decide whether to give or refuse approval.

(4) The Board shall approve a CGO member under paragraph (1) above if they are satisfied that—

- (a) he will comply with his obligations as a CGO member under the arrangements and these Regulations, and
- (b) in the case of a person resident outside the United Kingdom who does not have a business establishment in the United Kingdom by means of which his functions as a CGO member

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(2) 1979 c. 43.

(3) O.J. No. L1, 3.1.94, p. 3.

(4) O.J. No. L1, 3.1.94, p. 572.

(5) 1988 c. 1.

under the arrangements are wholly or mainly carried out, the requirements specified in regulation 7 are fulfilled by him.

(5) The Board may, by notice to the applicant, refuse approval where they have reason to believe that—

- (a) the applicant is not a CGO member, or
- (b) the applicant will not comply with his obligations as a CGO member under the arrangements or these Regulations, or
- (c) in the case of an applicant falling within paragraph (4)(b) above, the requirements specified in regulation 7 are not fulfilled by him.

(6) The Board may, by notice to the CGO member concerned, withdraw approval where they have reason to believe that—

- (a) he is not, or has ceased to be, a CGO member, or
- (b) he has not complied, or will not comply, with his obligations as a CGO member under the arrangements or these Regulations, or
- (c) in the case of a CGO member falling within paragraph (4)(b) above, the requirements specified in regulation 7 are not fulfilled by him.

(7) A CGO member may appeal against a notice under paragraph (5) above refusing approval, or a notice under paragraph (6) above withdrawing approval, by notice to the Board within 30 days after the date of issue of the notice of refusal or withdrawal.

(8) The appeal shall be to the Special Commissioners who shall confirm the notice of refusal or withdrawal unless they are satisfied that it ought to be quashed.

### **Condition relating to intermediaries**

**6.—**(1) The condition specified in this regulation is that an intermediary is a recognised intermediary.

(2) A recognised intermediary is an intermediary who either—

- (a) falls within the description of intermediary specified in paragraph (3) below, or
- (b) is for the time being approved by the Board as a recognised intermediary.

(3) The description of intermediary specified in this paragraph is of an intermediary who—

- (a) is resident in the United Kingdom or an EEA State,
- (b) falls within any of the categories specified in paragraph (4) below, and
- (c) is for the time being registered with the Board in accordance with paragraph (5) below.

(4) The categories specified in this paragraph are—

- (a) the Bank of England;
- (b) any bank or other institution authorised under the Banking Act 1987<sup>(6)</sup>;
- (c) a European authorised institution within the meaning of the Banking Co-ordination (Second Council Directive) Regulations 1992<sup>(7)</sup>;
- (d) the European Investment Bank;
- (e) a central bank of an EEA State;
- (f) a building society within the meaning of the Building Societies Act 1986<sup>(8)</sup>;

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(6) 1987 c. 22.

(7) S.I.1992/3218.

(8) 1986 c. 53.

- (g) an investment firm within the meaning of Article 1(2) of Council Directive [93/22/EEC](#) dated 10th May 1993 on investment services in the securities field<sup>(9)</sup> which is authorised in accordance with that Directive;
  - (h) a member of the Securities and Futures Authority;
  - (i) a member of a recognised stock exchange situated in the United Kingdom or in an EEA State;
  - (j) the Crown Agents and the Crown Agents Financial Services Limited.
- (5) An intermediary registers with the Board for the purposes of paragraph (3)(c) above by providing the following information to the Board—
- (a) the full name and address of the intermediary;
  - (b) the category specified in paragraph (4) above in which the intermediary falls;
  - (c) in the case of an intermediary resident outside the United Kingdom who does not have a business establishment in the United Kingdom by means of which his functions as an intermediary under the arrangements are wholly or mainly carried out, details of the arrangements instituted by that person pursuant to regulation 7.
- (6) An application for approval as a recognised intermediary under paragraph (2)(b) above shall be made in writing to the Board.
- (7) On receipt of an application under paragraph (6) above, the Board may by notice require the applicant to furnish them with such information as they may reasonably require to enable them to decide whether to give or refuse approval.
- (8) The Board shall approve an intermediary as a recognised intermediary if they are satisfied that—
- (a) he will comply with his obligations as a recognised intermediary under the arrangements and these Regulations, and
  - (b) in the case of an intermediary resident outside the United Kingdom who does not have a business establishment in the United Kingdom by means of which his functions as an intermediary under the arrangements are wholly or mainly carried out, the requirements specified in regulation 7 are fulfilled by him.
- (9) The Board may, by notice to an intermediary registering with the Board under paragraph (5) above, cancel the registration where they have reason to believe that—
- (a) that person does not fall within the description of intermediary specified in paragraph (3) (a) or (b) above, or
  - (b) he has not complied, or will not comply, with his obligations as a recognised intermediary under the arrangements or these Regulations, or
  - (c) in the case of an intermediary falling within sub-paragraph (c) of paragraph (5) above, the requirements specified in regulation 7 are not fulfilled by him.
- (10) The Board may, by notice to the applicant, refuse approval under paragraph (2)(b) above where they have reason to believe that—
- (a) the applicant will not comply with his obligations as a recognised intermediary under the arrangements and these Regulations, or
  - (b) in the case of an applicant who is an intermediary falling within paragraph (8)(b) above, the requirements specified in regulation 7 are not fulfilled by him.
- (11) The Board may, by notice to the intermediary concerned, withdraw approval given under paragraph (2)(b) above where they have reason to believe that—

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(9) O.J. L141, 11.6.1993, page 27.

- (a) he has not complied, or will not comply, with his obligations as a recognised intermediary under the arrangements or these Regulations, or
- (b) in the case of an intermediary falling within paragraph (8)(b) above, the requirements specified in regulation 7 are not fulfilled by him.

(12) An intermediary may appeal against a notice under paragraph (9), (10) or (11) above by notice to the Board within 30 days after the date of issue of the notice cancelling the registration or, as the case may be, refusing or withdrawing approval.

(13) The appeal shall be to the Special Commissioners who shall confirm the notice appealed against unless they are satisfied that it ought to be quashed.

(14) The Board shall maintain, and publish in such manner as they consider appropriate, a list of recognised intermediaries registered with, or approved by, them in accordance with this regulation for the use of eligible persons, CGO members and other recognised intermediaries.

### **Requirements relating to approval and registration of a non-resident under regulations 5 and 6**

7.—(1) The requirements referred to in regulation 5(4)(b), (5)(c) and (6)(c), and regulation 6(8)(b), (9)(c), (10)(b) and (11)(b) are that the non-resident CGO member or, as the case may be, the non-resident intermediary either—

- (a) appoints a person who falls within paragraph (2) below to be responsible for securing the discharge of the obligations which fall to be discharged by the member or the intermediary under the arrangements, or
- (b) agrees other arrangements with the Board designed to secure the discharge of those obligations.

(2) A person falls within this paragraph if—

- (a) he is an individual resident in the United Kingdom, or
- (b) he is not an individual and has a business establishment in the United Kingdom, or
- (c) he is a partner whose firm has a business establishment in the United Kingdom.

(3) The appointment of a person under paragraph (1)(a) above shall not have effect unless and until notice of the appointment is given by the CGO member or intermediary to the Board.

(4) A person appointed under paragraph (1)(a) above—

- (a) shall be entitled to act on behalf of the CGO member or intermediary concerned in respect of any of his functions or obligations under the arrangements,
- (b) shall secure the CGO member's or intermediary's compliance with and discharge of any obligations of the member or intermediary under the arrangements, and
- (c) shall be personally liable in respect of any failure of the CGO member or intermediary to comply with or discharge any of his obligations under the arrangements as if the obligations imposed on the member or intermediary were imposed jointly and severally on the member or intermediary and the person appointed.

(5) The Board may, by notice to the person appointed and the CGO member or intermediary, determine that the appointment shall be treated as not having fulfilled the requirements specified in paragraph (1) above where they have reason to believe that the person appointed either—

- (a) has failed to secure compliance with the obligations of the member or intermediary under the arrangements, or
- (b) does not have adequate resources to secure compliance with those obligations or to meet liabilities under the arrangements.

### **Declarations by eligible persons**

8.—(1) For the purposes of subsection (3)(b) of section 51A, an eligible person other than—

- (a) an approved CGO member, or
- (b) a recognised intermediary who gives an instruction in accordance with regulation 10(2)(b)(ii),

shall provide a declaration, in a form provided or authorised by the Board, to a CGO member or recognised intermediary containing the information and the undertaking specified in paragraph (2) below.

(2) The declaration shall contain—

- (a) the full name of the eligible person by whom the declaration is made;
- (b) the address of the principal place of business of the eligible person or, in the case of an eligible person which is a company resident in the United Kingdom, the address of the registered office;
- (c) the name of the CGO member or recognised intermediary to whom the declaration is provided;
- (d) a statement that the gilt-edged securities of the declarant are gilt-edged securities of an eligible person within the meaning of subsection (2) of section 51A;
- (e) an undertaking by the eligible person that he will notify the CGO member or the recognised intermediary to whom the declaration is provided of any gilt-edged securities which are or have at any time since the making of the declaration been owned by him to which the declaration does not apply or has ceased to apply;
- (f) a statement that the information contained in the declaration is correct to the best of the eligible person's knowledge and belief.

(3) The declaration shall be signed and dated—

- (a) by the eligible person, or
- (b) by an officer or employee of the eligible person authorised for that purpose by the eligible person, stating the capacity in which he signs.

### **Requirements in relation to functions of approved CGO members**

9.—(1) An approved CGO member shall not be entitled to place gilt-edged securities in a STAR account unless the requirement specified in paragraph (2) below is satisfied or, as the case may be, the requirements specified in paragraph (3) or (4) below are satisfied.

(2) The requirement specified in this paragraph is that the gilt-edged securities are the securities of the CGO member in his capacity as an eligible person.

(3) The requirements specified in this paragraph are that—

- (a) the gilt-edged securities are securities in respect of which the CGO member has obtained a declaration completed in accordance with regulation 8,
- (b) the CGO member has no reason to believe, by reference to information in his possession, that the declaration is, or has become, incorrect, or that it does not apply to the gilt-edged securities concerned, and
- (c) the eligible person by whom the declaration is made is the person to whom, or on whose direction, interest arising on the gilt-edged securities concerned is to be paid.

(4) The requirements specified in this paragraph are that—

- (a) the gilt-edged securities are securities in respect of which the CGO member has received an instruction from an intermediary which is given in accordance with regulation 10(5) and contains all the information required by that regulation,
- (b) the intermediary from whom the instruction is received is, by reference to the list referred to in regulation 6(14), a recognised intermediary, and
- (c) the CGO member has no reason to believe, by reference to information in his possession, that the gilt-edged securities concerned should not be held in the STAR account.

### **Requirements in relation to functions of recognised intermediaries**

**10.**—(1) A recognised intermediary shall not be entitled to arrange for gilt-edged securities to be placed in a STAR account unless the requirements specified in paragraph (2), (3) or (4) below (as the case may be) are satisfied.

- (2) The requirements specified in this paragraph are that—
  - (a) the gilt-edged securities are the securities of the recognised intermediary in his capacity as an eligible person, and
  - (b) the recognised intermediary either—
    - (i) provides a declaration in accordance with regulation 8, or
    - (ii) gives an instruction to an approved CGO member or to another recognised intermediary in accordance with paragraph (5) below.
- (3) The requirements specified in this paragraph are that—
  - (a) the gilt-edged securities are securities in respect of which the recognised intermediary has obtained a declaration completed in accordance with regulation 8,
  - (b) the recognised intermediary has no reason to believe, by reference to information in his possession, that the declaration is, or has become, incorrect, or that it does not apply to the gilt-edged securities concerned,
  - (c) the eligible person by whom the declaration is made is the person to whom, or on whose direction, interest arising on the gilt-edged securities concerned is to be paid, and
  - (d) the recognised intermediary in receipt of the declaration gives an instruction to an approved CGO member or to another recognised intermediary (as the case may be) in accordance with paragraph (5) below.
- (4) The requirements specified in this paragraph are that—
  - (a) the gilt-edged securities are securities in respect of which the recognised intermediary has received an instruction from another recognised intermediary which is given in accordance with paragraph (5) below and contains all the information required by that paragraph,
  - (b) the recognised intermediary in receipt of the instruction has no reason to believe, by reference to information in his possession, that the gilt-edged securities concerned should not be placed in a STAR account, and
  - (c) the recognised intermediary in receipt of the instruction in turn gives an instruction to an approved CGO member or to another recognised intermediary (as the case may be) in accordance with paragraph (5) below.
- (5) An instruction given pursuant to this regulation shall contain the following information—
  - (a) identification of the recognised intermediary by whom it is given,
  - (b) identification of the approved CGO member or recognised intermediary to whom the instruction is given,
  - (c) either—

- (i) details of the gilt-edged securities to which the instruction relates, or
- (ii) details specifying or otherwise describing the contracts or arrangements under which the gilt-edged securities will be received for the recognised intermediary giving the instruction,
- (d) an instruction to the recipient to arrange for those gilt-edged securities to be placed in a STAR account, and
- (e) the date of the instruction.

### **Requirements in relation to the removal of gilt-edged securities from a STAR account**

**11.**—(1) In any of the circumstances specified in paragraph (2) below and subject to paragraph (3) below, an approved CGO member or a recognised intermediary shall make arrangements for the immediate removal of the gilt-edged securities concerned from a STAR account in which the securities were placed by the CGO member, or arranged to be placed by the recognised intermediary.

(2) The circumstances specified are where—

- (a) gilt-edged securities of the CGO member or the intermediary in his capacity as an eligible person are transferred to another person;
- (b) after the CGO member has placed, or the intermediary has arranged to place, gilt-edged securities in the STAR account in response to a declaration, the CGO member or the intermediary receives a notification from the maker of the declaration pursuant to the undertaking contained in the declaration;
- (c) after the CGO member has placed, or the intermediary has arranged to place, gilt-edged securities in the STAR account in response to an instruction received from a recognised intermediary, it comes to the attention of the CGO member or the intermediary that another recognised intermediary has been appointed to act in relation to those gilt-edged securities, or an intermediary has been appointed so to act who is not a recognised intermediary;
- (d) the CGO member or the intermediary receives a notice issued by the Board in accordance with paragraph (4) below requiring the CGO member to remove, or the intermediary to arrange to remove, gilt-edged securities held in a STAR account by the CGO member or on the instruction of the intermediary for a person specified in the notice;
- (e) the CGO member or the intermediary has reason to believe, by reference to information in his possession, that any gilt-edged securities should not be held in the STAR account.

(3) The obligation under paragraph (1) above to remove gilt-edged securities from a STAR account shall not apply in any case where—

- (a) the CGO member or the intermediary holds or receives a declaration from another eligible person, or an instruction from a recognised intermediary in accordance with regulation 10(5), relating to those securities, or
  - (b) the securities are acquired by the CGO member or the intermediary in his capacity as an eligible person.
- (4) A notice issued by the Board as mentioned in paragraph (2)(d) above—
- (a) shall specify the name of the person for whom the CGO member or the intermediary has acted;
  - (b) may stipulate that the CGO member shall not place, or the intermediary arrange to place, any other gilt-edged securities in a STAR account in reliance upon a declaration given by the person specified in the notice;
  - (c) may be revoked by the Board by notice to the CGO member or intermediary to whom it was issued.



### **Information to be provided to the Board**

**12.**—(1) The Board may by notice require any person who is or has at any time been an approved CGO member or a recognised intermediary to furnish them, within such time (not being less than fourteen days) as may be provided in the notice, such information (including copies of or extracts from any books documents or other records) as they may reasonably require for the purpose of satisfying themselves that the requirements of these Regulations have been complied with by that person.

(2) The Board may by notice require a person who has made a declaration in accordance with regulation 8 to furnish them, within such time (not being less than fourteen days) as may be provided in the notice, such information (including copies of or extracts from any books, documents or other records) as they may reasonably require for the purpose of verifying the information contained in the declaration.

### **Inspection of records by officer of the Board**

**13.**—(1) The Board may by notice require any person who is or has at any time been an approved CGO member or a recognised intermediary, within such time (not being less than fourteen days) as may be provided in the notice, to make available for inspection by an officer of the Board authorised for that purpose all such books, documents and other records in his possession or under his control as they may reasonably require for the purpose of satisfying themselves that the requirements of these Regulations have been complied with by—

- (a) the CGO member or intermediary to whom the notice is issued, or
- (b) another approved CGO member or recognised intermediary, or
- (c) a person who has made a declaration in accordance with regulation 8.

(2) Where records are maintained by computer the person required to make them available for inspection shall provide the officer making the inspection with all the facilities necessary for obtaining information from them.

### **Keeping of records**

**14.** An approved CGO member or a recognised intermediary shall at all times keep sufficient records to enable the Board to satisfy themselves, on inspection of those records, that the requirements of these Regulations have been complied with by him.

### **Retention of documents**

**15.**—(1) An approved CGO member or a recognised intermediary shall retain, for the period specified in paragraph (2) below—

- (a) any declaration or instruction obtained by him pursuant to these Regulations on the basis of which gilt-edged securities were placed, or arranged to be placed, by him in a STAR account;
- (b) any document containing details of any contract or arrangements referred to in any such instruction by virtue of which the gilt-edged securities to which the instruction relates were received for the recognised intermediary giving the instruction.

(2) The period specified—

- (a) in the case of a CGO member, is the period which commences on the date on which the securities were placed in the STAR account and ends on—

- (i) the date which is two years after the securities cease to be held in that account in reliance upon the declaration or instruction concerned (whether or not the CGO member ceases to act in that capacity before the end of the period), or
  - (ii) such earlier date as is agreed between the Board and the CGO member;
- (b) in the case of a recognised intermediary, is the period which commences on the date on which he gave an instruction for securities to be placed in the STAR account and ends on—
- (i) the date which is two years after the securities cease to be held in that account in reliance upon the declaration or instruction concerned (whether or not the intermediary ceases to act in that capacity before the end of the period), or
  - (ii) such earlier date as is agreed between the Board and the intermediary.

15th November 1995

*Simon Burns*  
*David Willetts*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These regulations impose conditions and requirements in connection with arrangements for the holding of gilt-edged securities the interest on which may be paid without deduction of tax in accordance with section 51A of the Income and Corporation Taxes Act 1988 (inserted by section 77 of the Finance Act 1995).

Regulation 1 provides for citation, commencement and effect, and regulation 2 contains definitions. Regulation 3 introduces the conditions specified in regulations 4 to 6 that are to be satisfied in relation to the holding of gilt-edged securities.

Regulation 4 provides that the securities are to be held in an account designated by the Central Gilts Office of the Bank of England (a “STAR” account).

Regulation 5 provides that the securities are to be held (in a STAR account) by a member of the Central Gilts Office (“CGO member”) who is approved by the Board of Inland Revenue (“the Board”).

Regulation 6 provides that an intermediary through whom an instruction is passed for the holding of gilt-edged securities in a STAR account must be an intermediary of the description specified in the regulation or one who is approved by the Board.

Regulation 7 specifies the requirements referred to in regulations 5 and 6 in relation to a CGO member or intermediary who is not resident, and does not have a business establishment, in the United Kingdom.

Regulation 8 provides for the declarations that are required to be made by owners of gilt-edged securities before those securities can be placed in a STAR account.

Regulation 9 imposes requirements that a CGO member is to ensure are satisfied in relation to any gilt-edged securities before he is entitled to place those securities in a STAR account.

Regulation 10 imposes similar requirements that an intermediary is to ensure are satisfied in relation to any gilt-edged securities before he may arrange for those securities to be placed in a STAR account.

Regulation 11 specifies the circumstances in which a CGO member or intermediary is required to remove gilt-edged securities from a STAR account.

Regulation 12 provides for the furnishing of information to the Board by a CGO member or intermediary, or by an owner of gilt-edged securities.

Regulation 13 makes provision for the inspection by an officer of the Board of documents in the possession or control of a CGO member or intermediary relating to gilt-edged securities. Regulation 14 provides for the keeping of records, and regulation 15 for the retention of declarations, instructions and other documents, by those persons.