



# Finance Act 1991

## 1991 CHAPTER 31

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER I

#### GENERAL

#### *Securities*

#### **54 New issues**

Schedule 12 to this Act (which contains provisions about securities issued after an issue of securities of the same kind) shall have effect.

#### **55 Purchase and sale of securities: options**

(1) In section 731 of the Taxes Act 1988 (scope of bondwashing provisions) the following subsections shall be inserted after subsection (4)—

“(4A) For the purposes of subsection (3) above, where a purchase or sale is effected as a direct result of the exercise of a qualifying option, it shall be treated as effected at the current market price if the terms under which the first buyer acquired the option, or, as the case may be, became subject to it, were arm’s length terms.

(4B) For the purposes of subsection (4A) above an option is a “qualifying option” if it would be a traded option or financial option as defined in subsection (9) of section 137 of the 1979 Act were the reference in paragraph (b) of that subsection to the time of the abandonment or other disposal a reference to the time of exercise.

---

*Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.*

---

(4C) In subsection (4A) above the reference to arm’s length terms is to terms—

- (a) agreed between persons dealing at arm’s length, or
- (b) not so agreed, but nonetheless such as might reasonably be expected to have been agreed between persons so dealing.”

(2) This section shall apply where the subsequent sale by the first buyer takes place on or after the day on which this Act is passed.

## 56 Bondwashing

(1) In section 732 of the Taxes Act 1988, after subsection (2) (exemption for market makers) there shall be inserted—

“(2A) Subsection (1) above shall not apply in prescribed circumstances if—

- (a) the first buyer is—
  - (i) a prescribed recognised clearing house, or
  - (ii) a member, of a prescribed class or description, of a prescribed recognised investment exchange, and
- (b) the subsequent sale is carried out by the first buyer after a prescribed date and in the ordinary course of his business.”

(2) At the end of that section there shall be added—

“(7) For the purposes of subsection (2A) above—

“prescribed” means prescribed in regulations made by the Treasury;

“recognised clearing house” means a recognised clearing house within the meaning of the Financial Services Act 1986;

“recognised investment exchange” means a recognised investment exchange within the meaning of that Act.”

## 57 Stock lending

(1) Section 129 of the Taxes Act 1988 (stock lending) shall be amended as mentioned in subsections (2) and (3) below.

(2) The following subsection shall be inserted after subsection (2)—

“(2A) Subject to subsection (4) below—

- (a) this section also applies where an arrangement in addition to those mentioned in subsections (1) and (2) above, and similar to that mentioned in subsection (2) above, is entered into as part of a chain of arrangements all having the effect of enabling A to fulfil his contract, and
- (b) it is immaterial how many separate arrangements there are in the chain.”

(3) In subsection (3) after “(2)” there shall be inserted “or (2A)”.

(4) In section 149B(9) of the Capital Gains Tax Act 1979 (which refers to section 129 of the Taxes Act 1988) after “(2)” there shall be inserted “or (2A)”.

---

*Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.*

---

- (5) This section shall apply to transfers made after such date as is specified for this purpose by regulations under section 129 of the Taxes Act 1988.

## **58 Manufactured dividends and interest**

- (1) After section 736 of the Taxes Act 1988 there shall be inserted—

### **“736A Manufactured dividends and interest**

Schedule 23A to this Act shall have effect in relation to certain cases where under a contract or other arrangements for the transfer of shares or other securities a person is required to pay to the other party an amount representative of a dividend or payment of interest on the securities.”

- (2) The enactments mentioned in Schedule 13 to this Act shall have effect with the amendments there specified.
- (3) This section shall have effect in relation to payments made on or after such day as the Treasury may specify for this purpose by regulations made by statutory instrument and different days may be so appointed for different provisions or different purposes.