

2007 No. 2485

CORPORATION TAX

**The Sale and Repurchase of Securities (Modification of
Schedule 13 to the Finance Act 2007) Regulations 2007**

<i>Made</i>	- - - -	<i>30th August 2007</i>
<i>Laid before the House of Commons</i>		<i>31st August 2007</i>
<i>Coming into force</i>	- -	<i>1st October 2007</i>

The Treasury make the following Regulations in exercise of the powers conferred by paragraph 15 of Schedule 13 to the Finance Act 2007(a).

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Sale and Repurchase of Securities (Modification of Schedule 13 to the Finance Act 2007) Regulations 2007, shall come into force on 1st October 2007, and shall have effect in relation to arrangements that come into force on or after that day.

(2) Paragraph 14(6) of Schedule 13 to the Finance Act 2007 applies for the purpose of determining the time at which an arrangement is in force.

(3) In these Regulations—

“non-standard repo case” shall be construed in accordance with paragraph 15(2) of Schedule 13;

“redemption arrangements” shall be construed in accordance with paragraph 15(6) of Schedule 13;

“Schedule 13” means Schedule 13 to the Finance Act 2007.

Non-standard repo cases: substitution of securities

2.—(1) In a non-standard repo case where—

(a) condition B is met in relation to the repo (see paragraph 15(4) of Schedule 13), and

(b) securities (“the substituted securities”) are substituted for other securities,

Schedule 13 applies with the modifications specified in paragraph (2).

(2) Paragraphs 2 (meaning of debtor repo), 6 (ignoring sale and subsequent purchase for purposes of chargeable gains: debtor repos), 7 (meaning of creditor repo) and 11 (ignoring purchase and subsequent sale for purposes of chargeable gains: creditor repos) of Schedule 13 apply as if any references in any of those paragraphs to “securities or similar securities” (however expressed) included a reference to the substituted securities.

(a) 2007 c. 11.

Redemption arrangements: modifications of Schedule 13

3.—(1) In a case involving redemption arrangements—

- (a) paragraphs 2 (meaning of debtor repo) and 3 (meaning of debtor quasi-repo) of Schedule 13 apply with the modifications specified in paragraphs (2) and (3), and
- (b) paragraphs 7 (meaning of creditor repo) and 8 (meaning of creditor quasi-repo) of Schedule 13 apply with the modifications specified in paragraphs (4) and (5).

(2) Any reference in paragraphs 2 and 3 to an arrangement that makes provision conferring a right or imposing an obligation on the borrower to buy securities at any subsequent time shall be treated as if it included a reference to an arrangement under which the borrower has the right or obligation to receive an amount equivalent to the proceeds of redemption of the securities.

(3) Any reference in paragraphs 2 and 3 to the buying of securities extinguishing the financial liability in respect of the advance recorded in the accounts of the borrower in accordance with generally accepted accounting practice shall be treated as if it included a reference to a payment of an amount equivalent to the proceeds of redemption of the securities extinguishing the financial liability in respect of the advance recorded in the accounts of the borrower in accordance with generally accepted accounting practice.

(4) Any reference in paragraphs 7 and 8 to an arrangement that makes provision conferring a right or imposing an obligation on the lender to sell securities at any subsequent time shall be treated as if it included a reference to an arrangement under which the lender has the right or obligation to pay the proceeds of redemption of the securities to any person.

(5) Any reference in paragraphs 7 and 8 to the subsequent sale of securities extinguishing the financial asset in respect of the advance recorded in the accounts of the lender in accordance with generally accepted accounting practice shall be treated as if it included a reference to the payment of an amount equivalent to the proceeds of redemption of the securities extinguishing the financial asset in respect of the advance recorded in the accounts of the lender in accordance with generally accepted accounting practice.

Redemption arrangements: consequences for tax in respect of chargeable gains

4.—(1) In a case where paragraph 2 of Schedule 13 applies with the modifications specified in regulation 3, sub-paragraphs (3) to (5) of paragraph 6 of Schedule 13 apply as if those sub-paragraphs provided that, in such a case, the borrower shall be treated for the purposes of tax in respect of chargeable gains as having disposed of the securities transferred by him to the lender under the arrangement—

- (a) on the occasion of the redemption of the securities, and
- (b) for an amount equivalent to the proceeds of redemption.

(2) In a case where paragraph 7 of Schedule 13 applies with the modifications specified in regulation 3, sub-paragraphs (3) to (5) of paragraph 11 of Schedule 13 apply as if those sub-paragraphs provided that, in such a case, the lender shall be treated for the purposes of tax in respect of chargeable gains as having acquired the securities transferred to him under the arrangement—

- (a) on the occasion of the redemption of the securities, and
- (b) for an amount equivalent to the proceeds of redemption.

Steve McCabe
Claire Ward

30th August 2007

Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Finance Act 2007, in Schedule 13, makes new provision relating to arrangements involving the sale and repurchase of securities (more commonly known as “repos”).

Paragraph 15 of Schedule 13 confers power to modify the provisions of that Schedule in relation to non-standard repo cases and cases involving redemption arrangements. These Regulations modify that Schedule in those cases.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.

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£3.00

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E1301 9/2007 171301T 19585