
STATUTORY INSTRUMENTS

2019 No. 1250

**CAPITAL GAINS TAX
CORPORATION TAX
INCOME TAX
STAMP DUTY
STAMP DUTY RESERVE TAX**

The Taxation of Hybrid Capital Instruments
(Amendment of Section 475C of the
Corporation Tax Act 2009) Regulations 2019

<i>Made</i>	- - - -	<i>9th September 2019</i>
<i>Laid before the House of Commons</i>	- - - -	<i>10th September 2019</i>
<i>Coming into force</i>	- -	<i>4th November 2019</i>

The Treasury, in exercise of the powers conferred by paragraph 19 of Schedule 20 to the Finance Act 2019(1), make the following Regulations.

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Taxation of Hybrid Capital Instruments (Amendment of Section 475C of the Corporation Tax Act 2009) Regulations 2019 and come into force on 4th November 2019.

(2) Schedule 20 to the Finance Act 2019 has effect, and is to be deemed always to have had effect, with the amendments made to section 475C by these Regulations.

Amendment of the Corporation Tax Act 2009

2.—(1) In section 475C(5) of the Corporation Tax Act 2009(2) (hybrid capital instruments: meaning of “conversion event”)—

(1) 2019 c. 1.

(2) 2009 c. 4. Section 475C was inserted by paragraph 3(1) of Schedule 20 to the Finance Act 2019 (c. 1).

(a) in paragraph (b), for “the debtor’s quoted parent company” substitute “a company (“C”) which, after the conversion, has control of the debtor or would have control of the debtor if C were taken to have all the rights and interests in the debtor of any company connected with C”, and

(b) omit the sentence following that paragraph.

(2) Where a loan relationship meets the conditions in section 475C(1)(a) and (b) by virtue of the amendments made by this regulation, section 475C(8)(b) has effect as if the election were required to be made before the end of the period of 6 months beginning with the day on which these Regulations come into force.

3. In section 475C(8) of the Corporation Tax Act 2009 (hybrid capital instruments: provisions relating to elections), for paragraphs (b) and (c) substitute—

- “(b) must be made before the end of the period of 6 months beginning with—
- (i) the day on which the company becomes a party to the loan relationship, or
 - (ii) if (after becoming a party to the loan relationship) the loan relationship is amended so as to meet the conditions in subsection (1)(a) and (b), the first day of the company’s next accounting period, and
- (c) has effect for the accounting period in which the day mentioned in paragraph (b)(i) or (ii) falls and for subsequent accounting periods.”.

Rebecca Harris

Mike Freer

Two of the Lord Commissioners of Her Majesty’s Treasury

9th September 2019

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend section 475C of the Corporation Tax Act 2009 (c. 4) to ensure that the rules relating to hybrid capital instruments, introduced in Schedule 20 to the Finance Act 2019 (c. 1), work as intended. Specifically, these amendments ensure that where a loan relationship includes a takeover or change of control provision which could result in a conversion into ordinary share capital of a company which (together with its associates) controls the debtor, that provision will not cause the loan relationship to fall outside of the rules.

These Regulations also provide for rules in relation to elections. Where the loan relationship satisfies section 475C(1)(a) and (b) only as a result of the amendments referred to above in relation to takeover or change of control provisions, the company has six months from the date of those amendments coming into force to make the election. In addition, where a company amends a loan relationship so that it meets the conditions of section 475C(1)(a) and (b), it now has six months following the start of the next accounting period to make the election. Assuming it does this, the loan relationship will be deemed to be within the scope of the rules for the next accounting period (and subsequent accounting periods).

Schedule 20 to the Finance Act 2019 is deemed to always have had effect with the amendments made to section 475C by these Regulations. Authority for the retrospective effect is given by paragraph 19(5) of Schedule 20 to the Finance Act 2019.

A Tax Information and Impact Note covering this instrument will be published on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.