

**HM REVENUE AND CUSTOMS
RESOLUTIONS 29-32**

**FINANCE (No. 2) BILL 2006
COMMITTEE
CLAUSE 76
SCHEDULE 6**

Amendment	Page	Line
*SC 67	187	42
*SC 68	188	6 & 7
*SC 69	188	18
*SC 70	188	19

Dawn Primarolo

(Bristol South - Lab)

Amendment 67

Schedule 6, page 187, line 42 [Vol 1], leave out 'relevant'.

Amendment 68

Schedule 6, page 188 [Vol 1], leave out lines 6 and 7.

Amendment 69

Schedule 6, page 188 [Vol 1], line 18, at end insert -

'(5A) The amendments made by sub-paragraphs (2) and (3) have effect in relation to any share held by a company on or after 12th May 2006 in any case where -

(a) the share is redeemable for the purposes of section 91D of FA 1996 as a result of any arrangements mentioned in subsection (2)(b) of that section (as substituted by sub-paragraph (2)), and

(b) the arrangements were entered into after the company acquired the share.

(5B) But in that case, in relation to an accounting period beginning before 12th May 2006, amounts are to be brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 as a result of those amendments only if the amounts relate to any time on or after that date.'

Amendment 70

Schedule 6, page 188 [Vol 1], line 19, at beginning insert 'In any other case,'.

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SUMMARY

1. These four amendments slightly alter the conditions to be satisfied before the change to the rules in section 91D Finance Act (“FA”) 1996 inserted by paragraph 9(2) & (3) of Schedule 6 to the Bill can take effect.
2. Section 91D FA 1996 treats certain redeemable shares as debt for tax purposes. Paragraph 9(2) & (3) of Schedule 6 to the Bill treats certain irredeemable shares as redeemable where there are guaranteed exit arrangements which were entered into on or before the time the investing company acquired the shares.
3. The amendments remove the requirement that the guaranteed exit arrangements were entered into on or before the time the investing company acquired the shares. But, where those arrangements were entered into on or before that time, only so as to tax profits accruing as from today.

DETAILS

4. Amendment 67 removes the requirement that arrangements are ‘relevant’.
5. Amendment 68 omits the definition of ‘relevant’.
6. Amendment 69 provides the commencement rule for the amendments. This is that where the guaranteed exit arrangements were entered into on or before the time when the investing company acquired the shares, section 91D FA 1996 will apply (if the other conditions are met) to shares held on or after 12th May, but only so as to being into charge profits accruing on or after 12th May.
7. Amendment 70 makes a consequential change to the wording of paragraph 9(6) of Schedule 6.

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BACKGROUND NOTE

8. Section 91D FA 1996 treats certain redeemable shares as creditor loan relationships (debt assets) where they are designed to produce an interest-like return.
9. Shares are treated as redeemable only where they are redeemable as a result of the terms of issue (including any collateral agreements or understandings etc) requiring redemption, entitling the holder to require redemption or entitling the holder to redeem.
10. Schemes have been entered into which try to get around the definition of redeemable by giving the holder of the share the right to sell at an agreed price, or to require the issuing company to be liquidated (so-called “guaranteed exit arrangements”).