

2014 No.

CAPITAL GAINS TAX

CORPORATION TAX

INCOME TAX

**The Market Value of Shares, Securities and Strips Regulations
2014**

<i>Made</i> - - - -	***
<i>Laid before the House of Commons</i>	***
<i>Coming into force</i> - -	***

The Treasury make the following Regulations in exercise of the powers conferred by section 272(3) and (4) of the Taxation of Chargeable Gains Act 1992(a) and section 450 of the Income Tax (Trading and Other Income) Act 2005(b).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Market Value of Shares, Securities and Strips Regulations 2014 and come into force on **** 2014.

(2) These Regulations have effect where the date of valuation falls on or after that date.

Application of Regulations to determine market value of listed shares, securities and strips

2.—(1) These Regulations apply to determine—

- (a) the market value at any time of listed shares or securities for the purposes of the Taxation of Chargeable Gains Act 1992,
- (b) the market value at any time of a strip for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities), and
- (c) the market value at any time of a security exchanged for strips of that security for the purposes of section 445(1) the Income Tax (Trading and Other Income) Act 2005 (strips of government securities).

(2) These Regulations do not apply to determine the market value of listed shares or securities for the purposes of the Taxation of Chargeable Gains Act 1992 where, in consequence of special circumstances, the closing prices quoted in the Stock Exchange Daily Official List, or in a foreign

(a) 1992 c. 12. Section 272 (3) and (4) were substituted by paragraph 4 of Schedule 26 to the Finance Act 2007 (c. 11).
(b) 2005 c. 5. Section 450 was substituted by paragraph 5 of Schedule 26 to the Finance Act 2007.

exchange list, are by themselves not a proper measure of market value of the listed shares or securities.

(3) Regulations 3 and 4 are subject to regulation 5.

(4) In these Regulations, “foreign exchange list” means any publication which performs in the case of a foreign stock exchange a function equivalent, or broadly similar, to that performed by the Stock Exchange Daily Official List

Shares, securities or strips included in the official UK list

3. The market value at any time of shares, securities or strips which are included in the official UK list is—

- (a) on any day the Stock Exchange is open, the lower of the two prices shown in the Stock Exchange Daily Official List for that day as the closing price for the shares, securities or strips on that day plus one-half of the difference between those two figures, and
- (b) on any day the Stock Exchange is closed, that value on the latest previous day on which it was open.

Shares, securities or strips listed on recognised stock exchange outside the United Kingdom

4.—(1) The market value at any time of shares, securities or strips which are not included in the official UK list but are listed on a recognised stock exchange outside the United Kingdom (a “foreign stock exchange”) is—

- (a) on any day the exchange is open, the price shown in the foreign exchange list for that day as the closing price for the shares, securities or strips on that day (or if more than one price is shown the lower price plus one-half of the difference between those two figures), and
- (b) on any day the exchange is closed, that value on the latest previous day on which it was open.

(2) If shares or securities are quoted in more than one foreign exchange list—

- (a) any foreign exchange list published for a foreign stock exchange which is regarded as the major exchange for such shares or securities is to be used for those purposes in preference to any other such list, but
- (b) if no exchange is regarded as the major exchange, any such list published for a foreign stock exchange in the territory in which the issuing company is resident is to be used for the purposes of these Regulations in preference to any other such list.

(3) If a strip or a security exchanged for strips of that security is quoted in more than one foreign exchange list—

- (a) any such list published for a foreign stock exchange in the territory of the issuing government is to be used for the purposes of these Regulations in preference to any other such list, and
- (b) any such list published for a foreign stock exchange which is regarded as the major exchange in that territory for such strips or securities is to be used for those purposes in preference to any other such list.

(4) In this regulation, “issuing government” means the government of a territory outside the United Kingdom which issued the security.

Share options

5.—(1) Where employment-related securities are disposed of by way of bargain made at arm’s length on the same day as they are acquired, the market value at the time of acquisition is treated as being equal to the consideration received on the disposal.

(2) In paragraph (1), “employment-related securities” has the same meaning as in section 421B(8) of the Income Tax (Earnings and Pensions) Act 2003(a).

Consequential amendments

6. In the Authorised Investment Funds (Tax) Regulations 2006(b), in regulation 108 omit paragraph (2).

	<i>Name</i>
	<i>Name</i>
Date	Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Regulations make provision in relation to the valuation of listed shares, securities and government strips on and after [*date*] for the purposes of Taxation of Chargeable Gains Act 1992 and certain purposes of the Income Tax (Trading and Other Income) Act 2005. The Regulations do not apply where in consequence of special circumstances, the closing prices quoted in the Stock Exchange Daily Official List, or in the foreign equivalent of that list, are by themselves not a proper measure of market value of the listed shares or securities.

Regulation 3 makes provision in relation to shares, securities or strips which are included in the official UK list, and regulation 4 makes provision in relation to shares, securities or strips which are not included in the official UK list but are listed on a recognised stock exchange outside the United Kingdom. The market value of the shares, securities or strips is determined by reference to the Stock Exchange Daily Official List or the foreign equivalent of that list.

Regulation 5 makes provision in relation to employment-related securities (as defined in section 421B(8) of the Income Tax (Earnings and Pensions) Act 2003) which are disposed of by way of bargain made at arm’s length on the same day as they are acquired.

Regulation 6 makes a consequential amendment to the Authorised Investment Funds (Tax) Regulations 2006.

[A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>]

(a) 2003 c. 1. Section 421B was substituted by paragraph 2 of Schedule 22 to the Finance Act 2003 (c. 14).
(b) S.I. 2006/964, to which there are amendments not relevant to these Regulations.