

Provisions supplemental to sections 258 and 259. FA86 s33A; FA96 s42; FA97 s146(1) and Sch9 Ptl par14 260.—(1) In this section—

“specified deposit” means a relevant deposit made on or after the 28th day of March, 1996, in respect of which specified interest is payable other than such a deposit—

(a) which is held in a special savings account, or

(b) in respect of which—

(i) the interest payable is to any extent linked to or determined by changes in a stock exchange index or any other financial index,

(ii) arrangements were, or were being put, in place by the relevant deposit taker before the 28th day of March, 1996, to accept such a deposit, and

(iii) the deposit is made on or before the 7th day of June, 1996;

“specified interest” means interest in respect of a specified deposit, other than so much of the amount of that interest as—

(a) is payable annually or at more frequent intervals, or

(b) cannot be determined until the date of payment of such interest, notwithstanding that the terms under which the deposit was made are complied with fully.

(2) (a) Subject to this section, specified interest shall for the purposes of section 258 be deemed—

(i) to accrue from day to day, and

(ii) to be relevant interest paid by the relevant deposit taker in each year of assessment to the extent that—

(I) it is deemed to accrue in that year of assessment, and

(II) it is not paid in that year of assessment,

and the relevant deposit taker shall account for appropriate tax accordingly.

(b) The amount of specified interest deemed to be relevant interest paid by a relevant deposit taker in any year of assessment by virtue of this subsection shall not be less than such amount as would be deductible in respect of interest or any other amount payable on the specified deposit in computing the income of the relevant deposit taker for the year of assessment if the year of assessment were an accounting period of the

relevant deposit taker.

(3) (a) Where apart from subsection (2) a relevant deposit taker makes a payment of relevant interest which is or includes specified interest, the relevant deposit taker shall—

(i) deduct out of the whole of the amount of that payment the appropriate tax in relation to that payment in accordance with section 257, and

(ii) account for that appropriate tax under section 258,

and that appropriate tax shall be due and payable by the relevant deposit taker in accordance with section 258.

(b) So much of the amount of appropriate tax paid by the relevant deposit taker by virtue of subsection (2) as is referable to specified interest included in a payment of relevant interest referred to in paragraph (a) shall be set off against any amount of appropriate tax due and payable by the relevant deposit taker for the year of assessment in which that payment of interest is made or against any amount, or amount on account of, appropriate tax due and payable by it for a year of assessment subsequent to that year (any such set-off being effected as far as may be against an amount so due and payable at an earlier date rather than at a later date).

(4) Subsection (2) shall not apply for any year of assessment where, for that year of assessment and all preceding years of assessment—

(a) in accordance with section 258 (4) or 259 (4), as may be appropriate, a relevant deposit taker makes a payment on account of appropriate tax in respect of specified interest as if, in relation to each specified deposit held by it, the references—

(i) in section 258 (4), to the period beginning on the 6th day of April, and ending on the 5th day of October in the year of assessment, and

(ii) in section 259 (4), where it occurs in the meaning assigned to “A”, to the period of 12 months ending on the 5th day of October in the relevant year,

were a reference to the period beginning on the date on which the specified deposit was made and ending on the 5th day of October in the year of assessment, and

(b) the full amount payable on account of appropriate tax by the relevant deposit taker in that year of assessment in accordance with section 258 (4) or 259 (4), including any amount payable in accordance with those sections as modified by paragraph (a), before the set-off of any amount on account of appropriate tax paid in an earlier year of assessment, does not exceed the appropriate tax payable by the relevant deposit taker for that year of assessment.