

SCHEDULES

SCHEDULE 22

AVOIDANCE INVOLVING FINANCIAL ARRANGEMENTS

Restrictions on relief for interest payments

- 21 (1) Section 384 of ITA 2007 (general restrictions on relief for interest payments) is amended as follows.
- (2) In subsection (2), for “interest is paid at a rate in excess of a reasonable commercial rate” substitute “the interest paid on a loan in a tax year exceeds a reasonable commercial amount of interest on the loan for the relevant period”.
- (3) After subsection (2) insert—
- “(3) The relevant period is the tax year or, if the loan exists for part only of the tax year, the part of the tax year for which the loan exists.
- (4) A reasonable commercial amount of interest on the loan for the relevant period is an amount which, together with any interest paid before that period (other than unrelieved interest), represents a reasonable commercial rate of interest on the loan from the date it was made to the end of that period.
- (5) “Unrelieved interest” means interest which because of subsection (2) is not eligible for relief under this Chapter.”
- (4) The amendments made by this paragraph have effect in relation to interest paid on or after 9 October 2007; but in relation to interest paid in the period beginning with that date and ending with 5 April 2008, they have effect as if the references in section 384(2) and (3) to a tax year were to that period.