



Corporation Tax Act 2009

2009 CHAPTER 4

PART 6

RELATIONSHIPS TREATED AS LOAN RELATIONSHIPS ETC

[^{F1}CHAPTER 2A

DISGUISED INTEREST

[^{F1}486E Excluded shares

- (1) This Chapter does not apply in relation to an accounting period (“ the relevant accounting period ”) of a company (“the holding company”) for which an arrangement produces a return for the company if the arrangement involves only relevant shares held by the company throughout the relevant period.
- (2) In this section “ the relevant period ” means the period—
 - (a) beginning with the later of—
 - (i) the time when the holding company becomes party to the arrangement, and
 - (ii) the time when the arrangement begins to produce a return for the company, and
 - (b) ending with the earliest of—
 - (i) the end of the relevant accounting period,
 - (ii) the time when the holding company ceases to be party to the arrangement, and
 - (iii) the time when the arrangement ceases to produce a return for the company.
- (3) For the purposes of this section an arrangement “involves only” relevant shares if (and only if) the return produced reflects only an increase in the fair value of the shares.
- (4) For the purposes of subsection (3)—

Changes to legislation: Corporation Tax Act 2009, Section 486E is up to date with all changes known to be in force on or before 02 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (a) “ fair value ”, in relation to relevant shares held by the holding company, means an amount which the company would obtain from a knowledgeable and willing purchaser of the shares dealing at arm's length, and
 - (b) there is an increase in the fair value of shares even if the increase is realised by the payment of a distribution in respect of the shares.
- (5) In this section “ relevant shares ” means shares which, throughout the relevant period, are—
- (a) fully paid-up shares of a relevant company, or
 - (b) shares of a company, other than a relevant company, which would be accounted for as a liability by the company in which they are shares in accordance with generally accepted accounting practice and which produce for the holding company a return in relation to any amount which is economically equivalent to interest (as to which see Chapter 6A).
- (6) For the purposes of subsection (5)(a) shares are fully paid-up if there are no actual or contingent obligations—
- (a) to meet unpaid calls on the shares, or
 - (b) to make a contribution to the capital of the company in which they are shares that could affect the value of the shares.
- (7) For the purposes of subsection (5) a company is “a relevant company” if—
- (a) it and the holding company are connected companies,
 - (b) it is a relevant joint venture company, or
 - (c) it is a [^{F2}CFC within the meaning of Part 9A of TIOPA 2010].
- (8) Section 466 (companies connected for an accounting period) applies for the purposes of subsection (7)(a).
- [^{F3}(9) For the purposes of subsection (7)(b) a company (“C”) is a relevant joint venture company if—
- (a) the holding company is one of two persons who, taken together, control C,
 - (b) the holding company has interests, rights and powers representing at least 40% of the holdings, rights and powers in respect of which the holding company and the second person fall to be taken as controlling C, and
 - (c) the second person has interests, rights and powers representing—
 - (i) at least 40%, but
 - (ii) no more than 55%,
 of the holdings, rights and powers in respect of which the holding company and the second person fall to be taken as controlling C.
- (10) For the purposes of subsection (9)—
- (a) section 371RB of TIOPA 2010 (read with section 371RD of that Act) applies for the purpose of determining if two persons, taken together, control a company, and
 - (b) section 371RD of that Act applies for the purpose of determining if the requirements of paragraphs (b) and (c) are met in any case.]
- ^{F4}(11)
- (12) Section 550(3) (repos: ignoring effect on borrower of sale of securities) does not apply for the purposes of this section.]

Changes to legislation: Corporation Tax Act 2009, Section 486E is up to date with all changes known to be in force on or before 02 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

- F1** Pt. 6 Ch. 2A inserted (with effect in accordance with Sch. 24 paras. 11, 13-16 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 24 para. 3**
- F2** Words in s. 486E(7)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 20 para. 27(2)** (with [Sch. 20 para. 50\(9\)](#))
- F3** S. 486E(9)(10) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 20 para. 27(3)** (with [Sch. 20 para. 51](#))
- F4** S. 486E(11) omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 20 para. 27(4)** (with [Sch. 20 para. 50\(9\)](#))

Modifications etc. (not altering text)

- C1** Pt. 6 Ch. 2A applied by 2010 c. 8, s. 371SP(2) (as inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 20 para. 1**)
- C2** Ss. 486C-486E excluded (19.7.2011) by 1988 c. 1, Sch. 25 para. 12F(6) (as inserted (with effect in accordance with Sch. 12 para. 14(2) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 12 para. 3**)

Changes to legislation:

Corporation Tax Act 2009, Section 486E is up to date with all changes known to be in force on or before 02 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)