

*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: Income and Corporation Taxes Act 1988, Cross Heading: Normal method of calculation (averaging) is up to date with all changes known to be in force on or before 16 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)*

## SCHEDULES

### SCHEDULE 7

#### TAXATION OF BENEFIT FROM LOANS OBTAINED BY REASON OF EMPLOYMENT

##### PART II

##### CALCULATION OF CASH EQUIVALENT OF LOAN BENEFIT

*Normal method of calculation (averaging)*

- 4 [F1(1)] In the absence of a requirement or election that paragraph 5 below should apply, the amount of interest at the official rate payable on a loan for any year (“the relevant year”) shall be ascertained as follows—
- (a) take half the aggregate of—
    - (i) the maximum amount of the loan outstanding on 5th April preceding the relevant year or, if it was made in that year, on the date on which it was made, and
    - (ii) the maximum amount of the loan outstanding on 5th April in the relevant year or, if the loan was discharged in that year, the date of discharge;
  - (b) multiply that figure by the number of whole months during which the loan was outstanding in that year, and divide by 12;
  - (c) multiply the result by the official rate of interest in force during the period when the loan was outstanding in that year or, if the official rate changed during that period, the average rate during that period ascertained by reference to the number of days in the period and the number of days for which each rate was in force.

For the purposes of this paragraph, months begin on the sixth day of the calendar month.

- [F2(2)] Where an employment-related loan is replaced, directly or indirectly—
- (a) by a further employment-related loan, or
  - (b) by a non-employment-related loan which in turn is, in the same year of assessment or within 40 days thereafter, replaced, directly or indirectly, by a further employment-related loan,
- sub-paragraph (1) above applies as if the replacement loan or, as the case may be, each of the replacement loans were the same loan as the first-mentioned employment-related loan.
- (3) For the purposes of sub-paragraph (2) above “employment-related loan” means a loan the benefit of which is obtained by reason of a person’s employment (and “non-employment-related loan” shall be construed accordingly).

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- (4) The references in sub-paragraph (2) above to a further employment-related loan are to an employment-related loan the benefit of which is obtained by reason of—
- (a) the same or other employment with the person who is the employer in relation to the first-mentioned employment-related loan, or
  - (b) employment with a person who is connected (within the meaning of section 839) with that employer.]

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**Textual Amendments**

- F1** Sch. 7 para. 4 renumbered as para. 4(1) (with effect in accordance with s. 45(5) of the amending Act) by virtue of Finance Act 1995 (c. 4), s. 45(4)
- F2** Sch. 7 para. 4(2)-(4) inserted (with effect in accordance with s. 45(5) of the amending Act) by Finance Act 1995 (c. 4), s. 45(4)

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