



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XI

CLOSE COMPANIES

CHAPTER II

CHARGES TO TAX IN CONNECTION WITH LOANS

420 Exceptions from section 419.

- (1) ^{M1}Section 419(2)(a) shall not apply to a debt incurred for the supply by the close company of goods or services in the ordinary course of its trade or business unless the credit given exceeds six months or is longer than that normally given to the company's customers.
- (2) ^{M2}Section 419(1) shall not apply to a loan made to a director or employee of a close company, or of an associated company of the close company, if—
 - (a) neither the amount of the loan, nor that amount when taken together with any other outstanding loans which—
 - (i) were made by the close company or any of its associated companies to the borrower *or the wife or husband of the borrower*^{F1}; and
 - (ii) if made before 31st March 1971, were made for the purpose of purchasing a dwelling which was or was to be the borrower's only or main residence;
exceeds £15,000 and the outstanding loans falling within sub-paragraph (ii) above do not together exceed £10,000; and
 - (b) the borrower works full-time for the close company or any of its associated companies; and
 - (c) the borrower does not have a material interest in the close company or in any associated company of the close company;

Status: Point in time view as at 22/08/1996. This version of this provision has been superseded.

Changes to legislation: Income and Corporation Taxes Act 1988, Section 420 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)

but if the borrower acquires such a material interest at a time when the whole or part of any such loan made after 30th March 1971 remains outstanding the close company shall be regarded as making to him at that time a loan of an amount equal to the sum outstanding.

Section 168(11) shall apply for the purpose of determining whether a person has, for the purpose of this subsection, a material interest in a company, but with the omission of the words following “417(3)”.

Textual Amendments

F1 Words omitted where the loan first mentioned in s. 420(2) is made on or after 6 April 1990—see 1988(F) s. 35 and Sch. 3 para. 16.

Marginal Citations

M1 Source—1970 s.286(2)

M2 Source—1970 s.286(3), (9); 1971 s.25(5); 1972 Sch.17 3(3)

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