



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XVIII

DOUBLE TAXATION RELIEF

CHAPTER II

RULES GOVERNING RELIEF BY WAY OF CREDIT

General

[^{F1}798B Meaning of “financial expenditure”.

- (1) For the purposes of section 798 “financial expenditure”, in relation to a qualifying taxpayer and any interest or dividends is, subject to the provisions of this section, the aggregate of—
- (a) so much of the financial expenses (consisting of interest, discounts or similar sums or qualifying losses) incurred by the taxpayer or a person connected or associated with him as—
 - (i) is properly attributable to the earning of the interest or dividends; and
 - (ii) falls to be taken into account in computing the taxpayer’s or person’s liability to income tax or corporation tax; and
 - (b) so much of any other sum paid by the taxpayer or a person connected or associated with him which—
 - (i) falls to be taken into account as mentioned in paragraph (a) above; and
 - (ii) would not, apart from this paragraph, be taken into account in determining the amount of the interest or dividends,as it is reasonable to regard as attributable to the earning of the interest or dividends (whether or not it would fall, in accordance with [^{F2}generally accepted accounting practice], to be so treated).

Status: Point in time view as at 24/07/2002. This version of this provision has been superseded.

Changes to legislation: Income and Corporation Taxes Act 1988, Section 798B is up to date with all changes known to be in force on or before 15 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)

- (2) There shall be deducted from the aggregate given by subsection (1) above so much of the qualifying gains and profits accruing to the qualifying taxpayer or a person connected or associated with him as—
- (a) is properly attributable to the earning of the interest or dividends; and
 - (b) falls to be taken into account in computing the taxpayer's or person's liability to income tax or corporation tax.
- (3) In a case where the amount of a qualifying taxpayer's financial expenditure in relation to the earning of the interest or dividends is not readily ascertainable—
- (a) that amount shall be taken, subject to subsection (4) below, to be such sum as it is just and reasonable to attribute to the earning of the interest or dividends; and
 - (b) in the case of interest, regard shall be had in particular to any market rates of interest by reference to which the rate of the interest is determined.
- (4) The Board may by regulations supplement subsection (3) above—
- (a) by specifying matters to be taken into account in determining such a just and reasonable attribution as is referred to in paragraph (a); and
 - (b) by making provision with respect to the determination of market rates of interest for the purposes of paragraph (b);
- and any such regulations may make different provision for different cases.
- (5) In this section “qualifying losses” means—
- [^{F3}(a) exchange losses falling to be brought into account as debits for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships); and]
 - [^{F4}(b) the amount (if any) by which debits brought into account in respect of a derivative contract for the purposes of Schedule 26 to the Finance Act 2002 (derivative contracts) exceed credits so brought into account;]
- and “qualifying gains” and “qualifying profits” shall be construed accordingly.]

Textual Amendments

- F1** S. 798B inserted (with effect in accordance with s. 103(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\), s. 105](#)
- F2** Words in s. 798B(1) substituted (24.7.2002) by [Finance Act 2002 \(c. 23\), s. 103\(4\)\(a\)](#)
- F3** S. 798B(5)(a) substituted (with effect in accordance with s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\), Sch. 23 para. 20](#) (with s. 81(4)(5), Sch. 23 para. 25)
- F4** S. 798B(5)(b) substituted (with effect in accordance with s. 83(3) of the amending Act) by [Finance Act 2002 \(c. 23\), Sch. 27 para. 11](#) (with Sch. 28)

Status:

Point in time view as at 24/07/2002. This version of this provision has been superseded.

Changes to legislation:

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