



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

LOAN RELATIONSHIPS

[^{F1}Partnerships

Textual Amendments

- F1** Ss. 91H, 91I and cross-heading inserted (with effect in accordance with Sch. 22 para. 17(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 22 para. 17\(1\)](#)

91H Payments in return for capital contribution

- (1) This section applies where a company is a party to relevant arrangements under which—
- (a) a partnership of which it is a member is or may become entitled to receive a capital contribution from any person (whether directly or indirectly), and
 - (b) that person, or a person connected with that person, receives a sum of money or other asset from the company (whether directly or indirectly).
- (2) In subsection (1) “relevant arrangements” means arrangements—
- (a) which are designed to produce for the company a return which equates, in substance, to a return on the investment of the money or other asset at a commercial rate of interest, and
 - (b) the purpose or one of the main purposes of which is to secure a tax advantage.

Status: Point in time view as at 21/07/2008.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Cross Heading: Partnerships. (See end of Document for details)

- (3) The return is to be treated for the purposes of this Chapter as a profit from a loan relationship of the company; and the credits to be brought into account in respect of the loan relationship are to be determined on the amortised cost basis of accounting.
- (4) But where the return to any extent represents partnership profits in respect of which the company is chargeable to corporation tax (whether for the same or any earlier accounting period), the charge to corporation tax is to be reduced to such extent as is just and reasonable.
- (5) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of subsection (1).
- (6) In subsection (2)—
 - (a) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions, and
 - (b) “tax advantage” has the meaning given by section 840ZA of the Taxes Act 1988.

911 Change of partnership shares

- (1) This section applies where a company is a party to relevant arrangements under which—
 - (a) the company makes a capital contribution to a partnership of which it is a member,
 - (b) profits of the partnership fall to be shared in a way such that the company is not allocated the whole of its due share of the profits, and
 - (c) the capital of the partnership falls to be shared in a way such that the company or a person connected with the company is entitled to more than the whole of its due share of the capital.
- (2) In subsection (1) “relevant arrangements” means arrangements—
 - (a) which are designed to produce for the company a return which equates, in substance, to a return on the investment of the capital contribution at a commercial rate of interest, and
 - (b) the purpose or one of the main purposes of which is to secure a tax advantage.
- (3) The return is to be treated for the purposes of this Chapter as a profit from a loan relationship of the company; and the credits to be brought into account in respect of the loan relationship are to be determined on the amortised cost basis of accounting.
- (4) But where the return to any extent represents partnership profits in respect of which the company is chargeable to corporation tax (whether for the same or any earlier accounting period), the charge to corporation tax is to be reduced to such extent as is just and reasonable.
- (5) For the purposes of subsection (1) a company's “due share” of any profits or capital is the share that the company would have been allocated or entitled to if allocation or entitlement were determined by reference to the proportion of the total capital contributed to the partnership that was contributed by it.
- (6) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of subsection (1).
- (7) In subsection (2)—

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- (a) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions, and
- (b) “tax advantage” has the meaning given by section 840ZA of the Taxes Act 1988.]

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