



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

LOAN RELATIONSHIPS

Modifications etc. (not altering text)

- C1** Pt. IV Ch. II modified (29.4.1996) by 1986 c. 44, s. 60(3) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 4 (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II modified (29.4.1996) by 1988 c. 1, s. 730A(6) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 37 (with savings in Pt. IV Ch. II) and as further substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by 2002 c. 23, s. 82(1), Sch. 25 Pt. 2 para. 52(3))
- Pt. IV Ch. II modified (29.4.1996) by 1988 c. 1, s. 768B(10) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 39(1) (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II modified (29.4.1996) by 1988 c. 1, s. 786C(9) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 40 (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II modified (29.4.1996) by 1988 c. 35, s. 11(7) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 55 (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II modified (29.4.1996) by 1988 c. 1, s. 477A(3)(a) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 28(1) (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II modified (29.4.1996) by 1986 c. 31, s. 77(3) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 3 (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II modified (24.7.1996) by 1996 c. 55, s. 135, Sch. 7 para. 11(2)
- Pt. IV Ch. II modified (27.7.1999 with effect as mentioned in s. 100(2)(3) of 1999 c. 16) by 1988 c. 1, s. 494AA(5) (as inserted (27.7.1999 with effect as mentioned in s. 100(2)(3) of the amending Act) by 1999 c. 16, s. 100(1))
- Pt. IV Ch. II modified (15.1.2001) by 2000 c. 38, s. 250, Sch. 26 paras. 7(2); S.I. 2000/3376, art. 2
- Pt. IV Ch. II modified (15.1.2001) by 2000 c. 38, s. 250, Sch. 26 paras. 17(2); S.I. 2000/3376, art. 2
- Pt. IV Ch. II modified (15.1.2001) by 2000 c. 38, s. 250, Sch. 26 paras. 29(2); S.I. 2000/3376, art. 2

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- Pt. IV Ch. II modified (24.7.2002 with effect as mentioned in s. 71(2)(4) of the amending Act) by Finance Act 2002 (c. 23), s. 71(3)
- Pt. IV Ch. II modified (24.7.2002 with effect as mentioned in s. 79(3) of Finance Act 2002) by Income and Corporation Taxes Act 1988 (c.1), s. 494(2ZA) (as inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by Finance Act 2002 (c. 23), s. 79(2), Sch. 23 Pt. 2 para. 17(7) (with Sch. 23 para. 25))
- Pt. IV Ch. II modified (24.7.2002 with effect as mentioned in s. 82(2) of Finance Act 2002) by Income and Corporation Taxes Act 1988 (c.1), s. 730A(6B) (as inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 2 para. 52(4))
- Pt. IV Ch. II modified (24.7.2002 with effect as mentioned in s. 82(2) of Finance Act 2002) by Income and Corporation Taxes Act 1988 (c.1), s. 842(1AB) (as inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 2 para. 56(4))
- Pt. IV Ch. II modified (24.7.2002) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 3 para. 64
- Pt. IV Ch. II modified (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by Finance Act 2002 (c. 23), s. 83(1), Sch. 26 Pt. 4 para. 19(4)
- Pt. IV Ch. II modified (1.10.2002 with effect in relation to accounting periods beginning on or after that date) by The Exchange Gains and Losses (Bringing into Account Gains or Losses) Regulations 2002 (S.I. 2002/1970), regs. 1(2), 6, 7, 13
- C2** Pt. IV Ch. II applied (29.4.1996) by 1988 c. 1, s. 434A(2A) (as inserted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 23(2) (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II applied (29.4.1996) by 1993 c. 34, s. 130(1) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 69 (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II applied (29.4.1996) by 1994 c. 9, s. 160(2) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 75 (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II applied (24.7.2002 with effect as mentioned in s. 82(2) of Finance Act 2002) by Income and Corporation Taxes Act 1988 (c.1), s. 510A(6A) (as inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 2 para. 49(4))
- C3** Pt. IV Ch. II restricted (29.4.1996) by 1988 c. 1, s. 475(2)(b) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 27(1) (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II restricted (29.4.1996) by 1988 c. 1, s. 487(1)(b) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 31(1) (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II restricted (29.4.1996) by 1988 c. 1, s. 487(3A) (as inserted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 31(3) (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II restricted (29.4.1996) by 1988 c. 1, s. 494(2) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 32(2) (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II restricted (24.7.2002 with effect as mentioned in s. 82(2) of Finance Act 2002) by Income and Corporation Taxes Act 1988 (c.1), s. 582(3A) (as inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 2 para. 50)
- Pt. IV Ch. II restricted (24.7.2002 with effect as mentioned in s. 82(2) of Finance Act 2002) by Income and Corporation Taxes Act 1988 (c.1), s. 787(1A) (as inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 2 para. 53(2))
- C4** Pt. IV Ch. II excluded (29.4.1996) by 1988 c. 1, s. 56(4B) (as inserted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 6 (with savings in Pt. IV Ch. II))
- Pt. IV Ch. II excluded (29.4.1996) by 1988 c. 1, s. 468L(5) (as substituted (29.4.1996) by 1996 c. 8, s. 104, Sch. 14 para. 26 (with savings in Pt. IV Ch. II))
- C5** Pt. IV Ch. II modified (24.2.2003) by Proceeds of Crime Act 2002 (c. 29), s. 458(1), Sch. 10 para. 9 (with Sch. 10 para. 10); S.I. 2003/120, art. 2, Sch. (with arts. 34) (as amended (20.2.2003) by S.I. 2003/333, art. 14)
- C6** Pt. IV Ch. II restricted (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by Finance Act 2002 (c. 23), s. 83(1), Sch. 26 Pt. 9 para. 48(4)Pt. IV Ch. II (as amended (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 64)
- C7** Pt. IV Ch. II applied (with modifications) (5.10.2004) by Energy Act 2004 (c. 20), s. 198(2), Sch. 9 para. 11 (with s. 38(2)); S.I. 2004/2575, art. 2(1), Sch. 1

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C8 Pt. IV Ch. II applied (with modifications) (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), [Sch. 9 para. 23](#) (with s. 38(2)); S.I. 2004/2575, art. 2(1), Sch. 1

Introductory provisions

80 Taxation of loan relationships.

- (1) For the purposes of corporation tax all profits and gains arising to a company from its loan relationships shall be chargeable to tax as income in accordance with this Chapter.
- (2) To the extent that a company is a party to a loan relationship for the purposes of a trade carried on by the company, profits and gains arising from the relationship shall be brought into account in computing the [^{F1}profits] of the trade.
- (3) Profits and gains arising from a loan relationship of a company that are not brought into account under subsection (2) above shall be brought into account as profits and gains chargeable to tax under Case III of Schedule D.
- (4) This Chapter shall also have effect for the purposes of corporation tax for determining how any deficit on a company's loan relationships is to be brought into account in any case, including a case where none of the company's loan relationships falls by virtue of this Chapter to be regarded as a source of income.
- (5) Subject to any express provision to the contrary, the amounts which in the case of any company are brought into account in accordance with this Chapter as respects any matter shall be the only amounts brought into account for the purposes of corporation tax as respects that matter.

Textual Amendments

F1 Words in s. 80(2) substituted (31.7.1998) by [1998 c. 36](#), s. 46(3)(a), [Sch. 7 para. 11](#)

Modifications etc. (not altering text)

C9 S. 80(5) excluded (29.4.1996) by [1988 c. 1](#), s. [400\(9A\)](#) (as inserted 29.4.1996) by [1996 c. 8](#), s. 104, [Sch. 14 para. 19](#) (with savings in Pt. IV Ch. II)
S. 80(5) excluded (29.4.1996) by [1988 c. 1](#), s. [795\(4\)](#) (as inserted (29.4.1996) by [1996 c. 8](#), s. 104, [Sch. 14 para. 41](#) (with savings in Pt. IV Ch. II))
S. 80(5) excluded (29.4.1996) by [1998 c. 1](#), s. [811\(3\)](#) (as inserted (29.4.1996) by [1996 c. 8](#), s. 104, [Sch. 14 para. 47](#) (with savings in Pt. IV Ch. II))
S. 80(5) excluded (29.4.1996) by [1988 c. 1](#), s. [116\(16\)](#) (as inserted (29.4.1996) by [1996 c. 8](#), s. 104, [Sch. 14 para. 60\(4\)](#) (with savings in Pt. IV Ch. II))
S. 80(5) excluded (29.4.1996) by [1988 c. 1](#), s. [798\(3A\)](#) (as inserted (29.4.1996) by [1996 c. 8](#), s. 104, [Sch. 14 para. 44\(2\)](#) (with savings in Pt. IV Ch. II))
S. 80(5) excluded (31.7.1998 with effect as mentioned in s. 103(2)(3) of [1998 c. 36](#)) by [1988 c. 1](#), s. [798A\(4\)](#) (as inserted (31.7.1998 with effect as mentioned in s. [103\(2\)\(3\)](#) of the amending Act) by [1998 c. 36](#), s. 104)
S. 80(5) excluded (24.7.2002 with effect as mentioned in s. 82(2) of Finance Act 2002) by [Income and Corporation Taxes Act 1988 \(c. 1\)](#), s. 582(3A) (as inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 2 para. 50](#))

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81 Meaning of “loan relationship” etc.

- (1) Subject to the following provisions of this section, a company has a loan relationship for the purposes of the Corporation Tax Acts wherever—
- (a) the company stands (whether by reference to a security or otherwise) in the position of a creditor or debtor as respects any money debt; and
 - (b) that debt is one arising from a transaction for the lending of money;
- and references to a loan relationship and to a company’s being a party to a loan relationship shall be construed accordingly.
- (2) For the purposes of this Chapter a money debt is a debt [^{F2}which is, or has at any time been, one that falls, or that may at the option of the debtor or of the creditor fall,] to be settled—
- (a) by the payment of money; or
 - (b) by the transfer of a right to settlement under a debt which is itself a money debt [^{F3}disregarding any other option exercisable by either party.]
- (3) Subject to subsection (4) below, where an instrument is issued by any person for the purpose of representing security for, or the rights of a creditor in respect of, any money debt, then (whatever the circumstances of the issue of the instrument) that debt shall be taken for the purposes of this Chapter to be a debt arising from a transaction for the lending of money.
- (4) For the purposes of this Chapter a debt shall not be taken to arise from a transaction for the lending of money to the extent that it is a debt arising from rights conferred by shares in a company.
- (5) For the purposes of this Chapter—
- (a) references to payments or interest under a loan relationship are references to payments or interest made or payable in pursuance of any of the rights or liabilities under that relationship; and
 - (b) references to rights or liabilities under a loan relationship are references to any of the rights or liabilities under the agreement or arrangements by virtue of which that relationship subsists;
- and those rights or liabilities shall be taken to include the rights or liabilities attached to any security which, being a security issued in relation to the money debt in question, is a security representing that relationship.
- (6) In this Chapter “money” includes money expressed in a currency other than sterling.

Textual Amendments

- F2** Words in s. 81(2) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 82\(1\), Sch. 25 Pt. 1 para. 2\(2\)\(a\)](#)
- F3** Words in s. 81(2) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 82\(1\), Sch. 25 Pt. 1 para. 2\(2\)\(b\)](#)

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Taxation of profits and gains and relief for deficits

82 Method of bringing amounts into account.

- (1) For the purposes of corporation tax—
 - (a) the profits and gains arising from the loan relationships of a company, and
 - (b) any deficit on a company’s loan relationships,shall be computed in accordance with this section using the credits and debits given for the accounting period in question by the following provisions of this Chapter.
- (2) To the extent that, in any accounting period, a loan relationship of a company is one to which it is a party for the purposes of a trade carried on by it, the credits and debits given in respect of that relationship for that period shall be treated (according to whether they are credits or debits) either—
 - (a) as receipts of that trade falling to be brought into account in computing the [F⁴profits] of that trade for that period; or
 - (b) as expenses of that trade which are deductible in computing those profits and gains.
- (3) Where for any accounting period there are, in respect of the loan relationships of a company, both—
 - (a) credits that are not brought into account under subsection (2) above (“non-trading credits”), and
 - (b) debits that are not so brought into account (“non-trading debits”),the aggregate of the non-trading debits shall be subtracted from the aggregate of the non-trading credits to give the amount to be brought into account under subsection (4) below.
- (4) That amount is the amount which for any accounting period is to be taken (according to whether the aggregate of the non-trading credits or the aggregate of the non-trading debits is the greater) to be either—
 - (a) the amount of the company’s profits and gains for that period that are chargeable under Case III of Schedule D as profits and gains arising from the company’s loan relationships; or
 - (b) the amount of the company’s non-trading deficit for that period on its loan relationships.
- (5) Where for any accounting period a company has non-trading credits but no non-trading debits in respect of its loan relationships, the aggregate amount of the credits shall be the amount of the company’s profits and gains for that period that are chargeable under Case III of Schedule D as profits and gains arising from those relationships.
- (6) Where for any accounting period a company has non-trading debits but no non-trading credits in respect of its loan relationships, that company shall have a non-trading deficit on its loan relationships for that period equal to the aggregate of the debits.
- (7) Subsection (2) above, so far as it provides for any amount to be deductible as mentioned in paragraph (b) of that subsection, shall have effect notwithstanding anything in section 74 of the Taxes Act 1988 (allowable deductions).

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Textual Amendments

F4 Words in s. 82(2)(a) substituted (31.7.1998) by 1998 c. 36, s. 46(3)(a), **Sch. 7 para. 11**

83 Non-trading deficit on loan relationships.

- (1) This section applies for the purposes of corporation tax where for any accounting period (“the deficit period”) there is a non-trading deficit on a company’s loan relationships.
- (2) The company may make a claim for the whole or any part of the deficit [^{F5}(to the extent that it is not surrendered as group relief by virtue of section 403 of the Taxes Act 1988)] to be treated in any of the following ways, that is to say—
 - (a) to be set off against any profits of the company (of whatever description) for the deficit period; [^{F6}or]
 - (b) ^{F7}
 - (c) to be carried back to be set off against profits for earlier accounting periods; ^{F8}
 - (d) ^{F9}
- [^{F10}(3A) So much of the deficit for the deficit period as is not—
 - (a) surrendered as group relief by virtue of section 403 of the Taxes Act 1988, or
 - (b) treated in any of the ways specified in subsection (2) above,
 shall be carried forward and set against non-trading profits of the company for succeeding accounting periods.]
- (4) ^{F11}
- (5) No part of any non-trading deficit of a company established for charitable purposes only shall be set off against the profits of that or any other company in pursuance of a claim under subsection (2) above.
- (6) A claim under subsection (2) above must be made within the period of two years immediately following the end of the relevant period, or within such further period as the Board may allow.
- (7) In subsection (6) above “the relevant period”—
 - (a) in relation to a claim under subsection (2)(a), ^{F12} . . . or (c) above, means the deficit period; ^{F13}
 - (b) ^{F13}
- (8) Different claims may be made under subsection (2) above as respects different parts of a non-trading deficit for any period, but no claim may be made as respects any part of a deficit to which another claim made under that subsection relates.
- (9) Schedule 8 to this Act (which makes provision about what happens where a claim is made under [^{F14}subsection (2)(a) or (c) above or where subsection (3A) above has effect]) shall have effect.

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Textual Amendments

- F5** Words in s. 83(2) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 3\(2\)](#)
- F6** Word in s. 83(2)(a) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 3\(3\)](#)
- F7** S. 83(2)(b) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 3\(4\)](#), [Sch. 40 Pt. 3\(12\)](#)
- F8** Word in s. 83(2)(c) repealed (24.7.2002 with effect in accordance with s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, [Sch. 40 Pt. 3\(12\)](#)
- F9** S. 83(2)(d) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 3\(5\)](#), [Sch. 40 Pt. 3\(12\)](#)
- F10** S. 83(3A) substituted for s. 83(3) (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 3\(6\)](#)
- F11** S. 83(4) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 3\(7\)](#), [Sch. 40 Pt. 3\(12\)](#)
- F12** Word in s. 83(7)(a) repealed (24.7.2002 with effect in accordance with s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, [Sch. 40 Pt. 3\(12\)](#)
- F13** S. 83(7)(b) and preceding word repealed (24.7.2002 with effect in accordance with s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, [Sch. 40 Pt. 3\(12\)](#)
- F14** Words in s. 83(9) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 3\(8\)](#)

Computational provisions etc.

84 Debits and credits brought into account.

- (1) The credits and debits to be brought into account in the case of any company in respect of its loan relationships shall be the sums which, ^{F15}... when taken together, fairly represent, for the accounting period in question—
 - (a) all profits, gains and losses of the company, including those of a capital nature, which (disregarding interest and any charges or expenses) arise to the company from its loan relationships and related transactions; and
 - (b) all interest under the company's loan relationship and all charges and expenses incurred by the company under or for the purposes of its loan relationships and related transactions.

^{F16}(2)

- (3) The reference in subsection (1)(b) above to charges and expenses incurred for the purposes of a company's loan relationships and related transactions does not include a reference to any charges or expenses other than those incurred directly—
 - (a) in bringing any of those relationships into existence;
 - (b) in entering into or giving effect to any of those transactions;
 - (c) in making payments under any of those relationships or in pursuance of any of those transactions; or
 - (d) in taking steps for ensuring the receipt of payments under any of those relationships or in accordance with any of those transactions.
- (4) Where—
 - (a) any charges or expenses are incurred by a company for purposes connected—

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- (i) with entering into a loan relationship or related transaction, or
- (ii) with giving effect to any obligation that might arise under a loan relationship or related transaction,
- (b) at the time when the charges or expenses are incurred, the relationship or transaction is one into which the company may enter but has not entered, and
- (c) if that relationship or transaction had been entered into by that company, the charges or expenses would be charges or expenses incurred as mentioned in subsection (3) above,

those charges or expenses shall be treated for the purposes of this Chapter as charges or expenses in relation to which debits may be brought into account in accordance with subsection (1)(b) above to the same extent as if the relationship or transaction had been entered into.

^{F17}(4A)

(5) [^{F18}In this Chapter]“related transaction”, in relation to a loan relationship, means any disposal or acquisition (in whole or in part) of rights or liabilities under that relationship.

(6) The cases where there shall be taken [^{F19}for the purposes of subsection (5) above] to be a disposal and acquisition of rights or liabilities under a loan relationship shall include those where such rights or liabilities are transferred or extinguished by any sale, gift, exchange, surrender, redemption or release.

[^{F20}(7) Schedule 9 to this Act contains further provisions as to the debits and credits to be brought into account for the purposes of this Chapter.]

Textual Amendments

- F15** Words in s. 84(1) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 1\(2\), Sch. 42 Pt. 2\(6\)](#)
- F16** S. 84(2) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 1\(3\), Sch. 42 Pt. 2\(6\)](#)
- F17** S. 84(4A) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 1\(3\), Sch. 42 Pt. 2\(6\)](#)
- F18** Words in s. 84(5) substituted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 79\(2\), Sch. 23 Pt. 1 para. 2\(2\)](#) (with [Sch. 23 Pt. 3 para. 25](#))
- F19** Words in s. 84(6) substituted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 79\(2\), Sch. 23 Pt. 1 para. 2\(3\)](#) (with [Sch. 23 Pt. 3 para. 25](#))
- F20** S. 84(7) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 1\(4\)](#)

[^{F21}84A Exchange gains and losses from loan relationships

(1) The reference in section 84(1)(a) above to the profits, gains and losses arising to a company from its loan relationships and related transactions includes a reference to exchange gains and losses arising to the company from its loan relationships.

(2) Subsection (1) above is subject to the following provisions of this section.

[^{F22}(3) Subsection (1) does not apply to an exchange gain or loss of a company to the extent that it arises—

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- (a) in relation to an asset or liability representing a loan relationship of the company, or
- (b) as a result of the translation from one currency to another of the profit or loss of part of the company's business,

and is recognised in the company's statement of recognised gains and losses or statement of changes in equity.

(3A) Subsection (1) does not apply to so much of an exchange gain or loss arising to a company in relation to an asset or liability representing a loan relationship of the company as falls within a description prescribed for the purpose in regulations made by the Treasury.]

^{F23}(4)

^{F23}(5)

^{F23}(6)

^{F23}(7)

(8) The Treasury may by regulations make provision for or in connection with bringing into account in prescribed circumstances amounts in relation to which subsection (3) [^{F24}or (3A)] above does not, by virtue of subsection (3) above, have effect.

(9) The reference in subsection (8) above to bringing amounts into account is a reference to bringing amounts into account—

- (a) for the purposes of this Chapter, as credits or debits in respect of the loan relationships of the company concerned; or
- (b) for the purposes of the Taxation of Chargeable Gains Act 1992.

(10) Any power to make regulations under this section includes power to make different provision for different cases.][^{F25}and power to make provision subject to an election or to other prescribed conditions]

Textual Amendments

- F21** S. 84A inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), [Sch. 23 paras. 3, 26\(5\)](#) (with [Sch. 23 para. 25](#))
- F22** S. 84A(3)(3A) substituted for s. 84A(3) (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 2\(2\)](#)
- F23** Ss. 84A(4)-(7) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 2\(3\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F24** Words in s. 84A(8) inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 2\(4\)](#)
- F25** Words in s. 84A(10) added (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 2\(5\)](#)

[^{F26}85A Computation in accordance with generally accepted accounting practice

(1) Subject to the provisions of this Chapter, the amounts to be brought into account by a company for any period for the purposes of this Chapter are those that, in accordance with generally accepted accounting practice, are recognised in determining the company's profit or loss for the period.

Status: Point in time view as at 02/12/2004.

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

- (2) If a company does not draw up accounts in accordance with generally accepted accounting practice (“correct accounts”)—
 - (a) the provisions of this Chapter apply as if correct accounts had been drawn up, and
 - (b) the amounts referred to in this Chapter as being recognised for accounting purposes are those that would have been recognised if correct accounts had been drawn up.
- (3) If a company draws up accounts that rely to any extent on amounts derived from an earlier period of account for which the company did not draw up correct accounts, the amounts referred to in this Chapter as being recognised for accounting purposes in the later period are those that would have been recognised if correct accounts had been drawn up for the earlier period.
- (4) The provisions of subsections (2) and (3) apply where the company does not draw up accounts at all as well as where it draws up accounts that are not correct.

Textual Amendments

F26 Ss. 85A, 85B substituted for ss. 85, 86 (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 3](#)

85B Amounts recognised in determining company’s profit or loss

- (1) Any reference in this Chapter to an amount being recognised in determining a company’s profit or loss for a period is to an amount being recognised for accounting purposes—
 - (a) in the company’s profit and loss account,
 - (b) in the company’s statement of recognised gains and losses or statement of changes in equity, or
 - (c) in any other statement of items brought into account in computing the company’s profits and losses for that period.
- (2) Subsection (1) does not apply to an amount recognised for accounting purposes by way of correction of a fundamental error.
- (3) The Treasury may by regulations—
 - (a) make provision excluding from subsection (1) amounts of a prescribed description, and
 - (b) make provision for or in connection with bringing into account in prescribed circumstances amounts in relation to which subsection (1) does not have effect by virtue of regulations under paragraph (a) above.
- (4) The regulations may provide that subsection (1) does not apply to prescribed amounts in a period of account to the extent that they derive from or otherwise relate to amounts brought into account in a prescribed manner in a previous period of account.
- (5) The power to make regulations under this section includes—
 - (a) power to make different provision for different cases; and
 - (b) power to make provision subject to an election or to other prescribed conditions.

Status: Point in time view as at 02/12/2004.

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

- (6) The power to make regulations under this section does not apply to exchange gains or losses (but see section 84A(3A) and (8) to (10)).]

Textual Amendments

- F26** Ss. 85A, 85B substituted for ss. 85, 86 (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 3](#)

87 Accounting method where parties have a connection.

- (1) This section applies in the case of a loan relationship of a company where for any accounting period there is a connection between the company and—

- (a) in the case of a debtor relationship of the company, a person standing in the position of a creditor as respects the debt in question; or
- (b) in the case of a creditor relationship of the company, a person standing in the position of a debtor as respects that debt.

- [^{F27}(2) Where this section applies the debits and credits to be brought into account for the purposes of this Chapter as respects the loan relationship must be determined on an amortised cost basis of accounting.

- (2A) The provisions of subsections (2B) and (2C) apply where subsection (2) applies, or ceases to apply, with the result that there is a change of basis of accounting for a loan relationship as between one accounting period of a company and the next.

- (2B) Where for an accounting period (“the relevant period”) a company brings into account debits or credits determined in accordance with an amortised cost basis of accounting, having used a fair value basis of accounting for the immediately previous accounting period (“the previous period”)—

- (a) any amount by which the fair value of the relevant asset or liability at the end of the previous period (“A”) exceeds the cost of the asset or liability that would be given at that time on an amortised cost basis of accounting (“B”) shall be brought into account for the purposes of this Chapter as a debit (in the case of an asset) or credit (in the case of a liability) for the relevant period, and
- (b) any amount by which B exceeds A shall be brought into account for the purposes of this Chapter as a credit (in the case of an asset) or debit (in the case of a liability) for that period.

- (2C) Where for an accounting period (“the relevant period”) a company brings into account debits or credits determined on the basis of fair value accounting, having used an amortised cost basis of accounting for the immediately previous accounting period (“the previous period”)—

- (a) any amount by which the fair value of the relevant asset or liability immediately before the relevant period (“C”) exceeds the cost of the asset or liability that would be given at that time on an amortised cost basis of accounting (“D”) shall be brought into account for the purposes of this Chapter as a credit (in the case of an asset) or debit (in the case of a liability) for the relevant period, and
- (b) any amount by which D exceeds C shall be brought into account for the purposes of this Chapter as a debit (in the case of an asset) or credit (in the case of a liability) for that period.]

Status: Point in time view as at 02/12/2004.

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- (3) For the purposes of this section there is a connection between a company and another person for an accounting period if (subject to subsection (4) and section 88 below)—
 - (a) the other person is a company and there is a time in that period ^{F28} . . . when one of the companies has had control of the other; [^{F29}or]
 - (b) the other person is a company and there is a time in that period ^{F30} . . . when both the companies have been under the control of the same person; or
 - (c) ^{F31}
- (4) Two companies which have at any time been under the control of the same person shall not, by virtue of that fact, be taken for the purposes of this section to be companies between whom there is a connection if the person was the Crown, a Minister of the Crown, a government department, a Northern Ireland department, a foreign sovereign power or an international organisation.
- (5) The references in subsection (1) above to a person who stands in the position of a creditor or debtor as respects a loan relationship include references to a person who indirectly stands in that position by reference to a series of loan relationships [^{F32}or money debts which would be loan relationships if a company directly stood in the position of creditor or debtor] .

- [^{F33}(5A) Where a trade, profession or business is carried on by two or more persons in partnership (“the firm”) and the firm stands in the position of a creditor or debtor as respects a money debt, any question—
 - (a) whether there is for the purposes of this Chapter a connection, within the meaning of this section, between any two companies for an accounting period in the case of a loan relationship, or
 - (b) to what extent any amount is to be treated under this Chapter in any particular way as a result of there being, or not being, such a connection,
 shall be determined as if to the extent of his appropriate share each of the partners separately, instead of the firm, stood in the position of a creditor or, as the case may be, debtor as respects the money debt.

The reference in the words following paragraph (b) above to partners does not include a reference to the general partner of a limited partnership which is a collective investment scheme within the meaning of section 235 of the Financial Services and Markets Act 2000.

- (5B) For the purposes of subsection (5A) above, a partner’s “appropriate share” is the share that would be apportioned to him if an apportionment were made in the shares in which any profit or loss computed in accordance with subsection (1) of section 114 of the Taxes Act 1988 for the accounting period in question would be apportioned between the partners under subsection (2) of that section.]
 - (6) ^{F34}
 - (7) ^{F34}
 - (8) ^{F34}

Textual Amendments

F27 S. 87(2)-(2C) substituted for s. 87(2) (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 4

Status: Point in time view as at 02/12/2004.

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

- F28** Words in s. 87(3)(a) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 7\(2\)\(a\)](#), [Sch. 40 Pt. 3\(12\)](#)
- F29** Word in s. 87(3)(a) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 7\(2\)\(b\)](#)
- F30** Words in s. 87(3)(b) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 7\(3\)](#), [Sch. 40 Pt. 3\(12\)](#)
- F31** S. 87(3)(c) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 7\(4\)](#), [Sch. 40 Pt. 3\(12\)](#)
- F32** Words in s. 87(5) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 7\(5\)](#)
- F33** S. 87(5A)(5B) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 7\(6\)](#)
- F34** S. 87(6)-(8) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 7\(7\)](#), [Sch. 40 Pt. 3\(12\)](#)

Modifications etc. (not altering text)

- C10** S. 87(3) applied (24.7.2002) by [Finance Act 2002 \(c. 23\)](#), [s. 73\(8\)](#)
- C11** S. 87(3)(4) applied (with modifications) (24.7.2002 with effect as mentioned in [s. 83\(3\)\(4\)](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 83(1), [Sch. 26 Pt. 2 paras. 6\(9\), 7\(8\)](#) (with [Sch. 26 Pt. 2 para. 10\(2\)](#))
- S. 87(3)(4) applied (with modifications) (24.7.2002 with effect as mentioned in [s. 83\(3\)\(4\)](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 83(1), [Sch. 26 Pt. 6 para. 26\(6\)](#)

[^{F35}87A Meaning of “control” in section 87

- (1) For the purposes of section 87 above, “control”, in relation to a company, means the power of a person to secure—
- by means of the holding of shares or the possession of voting power in or in relation to the company or any other company, or
 - by virtue of any powers conferred by the articles of association or other document regulating the company or any other company,
- that the affairs of the company are conducted in accordance with his wishes.
- (2) There shall be left out of account for the purposes of this section—
- any shares held by a company, and
 - any voting power or other powers arising from shares held by a company,
- if a profit on a sale of the shares would be treated as a trading receipt of a trade carried on by the company and the shares are not, within the meaning of Chapter 1 of Part 12 of the Taxes Act 1988, assets of an insurance company’s long-term insurance fund (see section 431(2) of that Act).
- (3) Where section 114 of the Taxes Act 1988 (partnerships involving companies: special rules for computing profits and losses) applies in relation to a partnership, any property, rights or powers held or exercisable for the purposes of the partnership shall be treated for the purposes of this section, as respects any time in an accounting period of the partnership, as if—
- the property, rights or powers had been apportioned between, and were held or exercisable by, the partners severally, and
 - the apportionment had been in the shares in which the profit or loss of the accounting period of the partnership would be apportioned between the partners under subsection (2) of that section,

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but taking the references in paragraphs (a) and (b) above to partners as not including a reference to the general partner of a limited partnership which is a collective investment scheme within the meaning of section 235 of the Financial Services and Markets Act 2000.]

Textual Amendments

F35 S. 87A inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 8

Modifications etc. (not altering text)

C12 S. 87A applied (with modifications) (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by Finance Act 2002 (c. 23), s. 83(1), Sch. 26 Pt. 2 paras. 6(9), 7(8) (with Sch. 26 Pt. 2 para. 10(2))

S. 87A applied (with modifications) (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by Finance Act 2002 (c. 23), s. 83(1), Sch. 26 Pt. 6 para. 26(6)

88 Exemption from section 87 in certain cases.

- (1) Subject to subsection (5) below, where a creditor relationship of a company is one to which that company is a party in any accounting period in exempt circumstances, any connection for that accounting period between the company and a person who stands in the position of a debtor as respects the debt shall be disregarded for the purposes of section 87 above.
- (2) A company having a creditor relationship in any accounting period shall, for that period, be taken for the purposes of this section to be a party to that relationship in exempt circumstances if—
 - (a) the company, in the course of carrying on any activities forming an integral part of a trade carried on by that company in that period, disposes of or acquires assets representing creditor relationships;
 - ^{F36}(b)
 - (c) the asset representing the creditor relationship in question was acquired in the course of those activities;
 - (d) that asset is either—
 - (i) listed on a recognised stock exchange at the end of that period; or
 - (ii) a security the redemption of which must occur within twelve months of its issue;
 - (e) there is a time in that period when assets of the same kind as the asset representing the loan relationship in question are in the beneficial ownership of persons other than the company; and
 - (f) there is not more than three months, in aggregate, in that accounting period during which the equivalent of 30 per cent. or more of the assets of that kind is in the beneficial ownership of connected persons.
- (3) An insurance company carrying on basic life assurance and general annuity business and having a creditor relationship in any accounting period shall, for that period, be taken for the purposes of this section to be a party to that relationship in exempt circumstances if—
 - (a) assets of the company representing any of its creditor relationships are linked for that period to its basic life assurance and general annuity business;

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

- ^{F37}(b)
- (c) the asset representing the creditor relationship in question is so linked;
 - (d) that asset is either—
 - (i) listed on a recognised stock exchange at the end of that period; or
 - (ii) a security the redemption of which must occur within twelve months of its issue;
 - (e) there is a time in that period when assets of the same kind as the asset representing the creditor relationship in question are in the beneficial ownership of persons other than the company; and
 - (f) there is not more than three months, in aggregate, in that accounting period during which the equivalent of 30 per cent. or more of the assets of that kind is in the beneficial ownership of connected persons.
- (4) For the purposes of subsections (2) and (3) above—
- (a) assets shall be taken to be of the same kind where they are treated as being of the same kind by the practice of any recognised stock exchange, or would be so treated if dealt with on such a stock exchange; and
 - (b) a connected person has the beneficial ownership of an asset wherever there is, or (apart from this section) would be, a connection (within the meaning of section 87 above) between—
 - (i) the person who has the beneficial ownership of the asset, and
 - (ii) a person who stands in the position of a debtor as respects the money debt by reference to which any loan relationship represented by that asset subsists.
- (5) Where for any accounting period—
- (a) subsection (1) above has effect in the case of a creditor relationship of a company, and
 - (b) the person who stands in the position of a debtor as respects the debt in question is also a company,
- that subsection shall not apply for determining, for the purposes of so much of section 87 above as relates to the corresponding debtor relationship, whether there is a connection between the two companies.
- (6) Subsection (5) of section 87 above shall apply for the purposes of this section as it applies for the purposes of that section.
- (7) In this section “basic life assurance and general annuity business” and “insurance company” have the same meanings as in Chapter I of Part XII of the Taxes Act 1988, and section 432ZA of that Act (linked assets) shall apply for the purposes of this section as it applies for the purposes of that Chapter.

Textual Amendments

- F36** S. 88(2)(b) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 5](#), [Sch. 42 Pt. 2\(6\)](#)
- F37** S. 88(3)(b) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 5](#), [Sch. 42 Pt. 2\(6\)](#)

Status: Point in time view as at 02/12/2004.

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

[^{F38}88A Accounting method where rate of interest is reset

- (1) This section applies where—
- (a) the conditions in subsections (2) and (3) below are satisfied in relation to an asset representing a creditor relationship of a company; and
 - (b) the object, or one of the main objects, of the company entering into or becoming a party to the creditor relationship was the securing, whether for itself or any other person, of a tax advantage (within the meaning of Chapter 1 of Part 17 of the Taxes Act 1988).
- (2) The first condition is that there is or has at any time been a change in—
- (a) the rate of interest payable in the case of the asset;
 - (b) the amount payable to discharge the debt; or
 - (c) the time at which any payments under the asset (whether of interest or otherwise) fall due.
- (3) The second condition is that the difference between—
- (a) the fair value of the asset immediately after the change, and
 - (b) the issue price of the asset,
- is equal to at least 5 per cent of the issue price of the asset.
- (4) On and after the day on which the conditions in subsections (2) and (3) above become satisfied in the case of an asset, [^{F39}the debits and credits to be brought into account for the purposes of this Chapter as respects the loan relationship must be determined on the basis of fair value accounting] .
- ^{F40}(5)
- (6) In determining the fair value of an asset for any purpose of this section it shall be assumed that all amounts payable by the debtor will be paid in full as they fall due.]

Textual Amendments

- F38** S. 88A inserted (24.7.2002 with effect as mentioned in s. 71(2)(4) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 71\(1\)](#)
- F39** Words in s. 88A(4) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 6\(2\)](#)
- F40** S. 88A(5) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 6\(3\), Sch. 42 Pt. 2\(6\)](#)

89 Inconsistent application of accounting methods.

^{F41}

Textual Amendments

- F41** S. 89 repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\), ss. 82\(1\), 141, Sch. 25 Pt. 1 para. 9, Sch. 40 Pt. 3\(12\)](#)

Status: Point in time view as at 02/12/2004.

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

F42⁹⁰ Changes of accounting method.

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Textual Amendments

F42 S. 90 repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004](#) (c. 12), [Sch. 10 para. 7](#), [Sch. 42 Pt. 2\(6\)](#)

[F43^{90A} Change of accounting basis applicable to assets or liabilities

- (1) The Treasury may by regulations provide that where in accordance with generally accepted accounting practice assets or liabilities of a company that were previously dealt with for accounting purposes on an amortised cost basis of accounting are required to be dealt with for accounting purposes on the basis of fair value accounting, the debits or credits to be brought into account for the purposes of this Chapter shall continue to be determined on an amortised cost basis of accounting.
- (2) The power to make regulations under this section includes power—
 - (a) to make different provision for different cases;
 - (b) to make such consequential, supplementary, incidental or transitional provision, or savings, as appear to the Treasury to be necessary or expedient; and
 - (c) to make provision subject to an election or to other prescribed conditions.]

Textual Amendments

F43 S. 90A inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004](#) (c. 12), [Sch. 10 para. 8](#)

91 Payments subject to deduction of tax.

F44

Textual Amendments

F44 S. 91 repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002](#) (c. 23), ss. 82(1), 141, [Sch. 25 Pt. 1 para. 11](#), [Sch. 40 Pt. 3\(12\)](#)

Special cases

F45⁹² Convertible securities etc: creditor relationships

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Textual Amendments

F45 S. 92 repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004](#) (c. 12), [Sch. 10 para. 9](#), [Sch. 42 Pt. 2\(6\)](#)

Status: Point in time view as at 02/12/2004.

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

Modifications etc. (not altering text)

C13 S. 92 modified (27.7.1999) by 1999 c. 16, s. 65(9)

^{F46}92A Convertible securities etc: debtor relationships

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Textual Amendments

F46 S. 92A repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 10, Sch. 42 Pt. 2(6)

^{F47}93 Relationships linked to the value of chargeable assets.

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Textual Amendments

F47 S. 93 repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 11, Sch. 42 Pt. 2(6)

^{F48}93A Relationships linked to the value of chargeable assets: guaranteed returns

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Textual Amendments

F48 S. 93A repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 11, Sch. 42 Pt. 2(6)

^{F49}93B Loan relationships ceasing to be within section 93

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Textual Amendments

F49 S. 93B repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 11, Sch. 42 Pt. 2(6)

[^{F50}94 Indexed gilt-edged securities.

- (1) In the case of any loan relationship represented by an index-linked gilt-edged security, the adjustment for which this section provides shall be made in computing the credits and debits which fall, for any accounting period, to be brought into account for the purposes of this Chapter in respect of that relationship as non-trading credits or non-trading debits.
- (2) The adjustment shall be made wherever—

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- (a) the authorised accounting method applied as respects the index-linked gilt-edged security gives credits or debits by reference to the value of the security at two different times, and
- (b) there is any change in the retail prices index between those times.
- (3) Subject to subsection (4) below, the adjustment is such an adjustment of the amount which would otherwise be taken for the purposes of that accounting method to be the value of the security at the earlier time (“the opening value”) as results in the amount in fact so taken being equal to the opening value increased or, as the case may be, reduced by the same percentage as the percentage increase or reduction in the retail prices index between the earlier and the later time.
- [^{F51}(3A) Where the authorised accounting method applied is an accruals basis of accounting, the amount which is the opening value shall be taken to be the amount of the value which (disregarding interest) accrued to the company under the loan relationship before the earlier time.]
- (4) The Treasury may, in relation to any description of index-linked gilt-edged securities, by order provide that—
- (a) there are to be no adjustments under this section; or
- (b) that an adjustment specified in the order (instead of the adjustment specified in subsection (3) above) is to be the adjustment for which this section provides.
- (5) An order under subsection (4) above—
- (a) shall not have effect in relation to any gilt-edged security issued before the making of the order; but
- (b) may make different provision for different descriptions of securities.
- (6) For the purposes of this section the percentage increase or reduction in the retail prices index between any two times shall be determined by reference to the difference between—
- (a) that index for the month in which the earlier time falls; and
- (b) that index for the month in which the later time falls.
- [^{F52}except that where the earlier time falls at the beginning of an accounting period which begins with the first day of a month, the index for the previous month shall be used for the purposes of paragraph (a) above.]
- (7) In this section “index-linked gilt-edged securities” means any gilt-edged securities the amounts of the payments under which are determined wholly or partly by reference to the retail prices index.]

Textual Amendments

- F50** S. 94 repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 12, Sch. 42 Pt. 2\(6\)](#)
- F51** S. 94(3A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 82\(1\), Sch. 25 Pt. 1 para. 12\(2\)](#)
- F52** Words in s. 94(6) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 82\(1\), Sch. 25 Pt. 1 para. 12\(3\)](#)

Status: Point in time view as at 02/12/2004.

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

[^{F53}94A Loan relationships with embedded derivatives

- (1) This section applies where a company is permitted or required in accordance with generally accepted accounting practice to treat the rights and liabilities under a loan relationship to which it is party (whether as debtor or creditor) as divided between—
- (a) rights and liabilities under a loan relationship (the “host contract”), and
 - (b) rights and liabilities under one or more derivative financial instruments or equity instruments (“embedded derivatives”).
- (2) The company shall be treated—
- (a) for the purposes of this Chapter as party to a loan relationship whose rights and liabilities consist only of the rights and liabilities of the host contract, and
 - (b) for the purposes of Schedule 26 to the Finance Act 2002 (derivative contracts) as—
 - (i) party to a relevant contract within the meaning of that Schedule whose rights and liabilities consist only of those of the embedded derivative, or
 - (ii) if there is more than one embedded derivative, party to relevant contracts within the meaning of that Schedule each of whose rights and liabilities consist only of those of one of the embedded derivatives.
- (3) Each relevant contract to which the company is treated as party under subsection (2)(b) shall be treated for the purposes of that Schedule as an option, a future or a contract for differences according to whether the rights and liabilities of the embedded derivative would be of that character if contained in a separate contract.]

Textual Amendments

F53 S. 94A inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 13](#)

^{F54}95 Gilt strips.

.....

Textual Amendments

F54 Word in s. 95(1) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 14](#)

96 Special rules for certain other gilts.

- (1) This section applies as respects any loan relationship of a company if—
- (a) it is represented by a security of any of the following descriptions—
 - (i) 3½% Funding Stock 1999-2004; or
 - (ii) 5½% Treasury Stock 2008-2012;
 and
 - (b) it is one to which the company is a party otherwise than in the course of activities that form an integral part of a trade carried on by the company.

Status: Point in time view as at 02/12/2004.

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- (2) The amounts falling for any accounting period to be brought into account for the purposes of this Chapter in respect of a loan relationship to which this section applies shall be confined to amounts relating to interest.

^{F55}(3)

Textual Amendments

F55 S. 96(3) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004](#) (c. 12), Sch. 10 para. 15, Sch. 42 Pt. 2(6)

97 Manufactured interest.

- (1) [^{F56}For the purposes of the Corporation Tax Acts, a company has a relationship to which this section applies in any case where—]
- (a) any amount (“manufactured interest”) is payable by or on behalf of, or to, [^{F57}the company] under any contract or arrangements relating to the transfer of an asset representing a loan relationship; and
 - (b) that amount is, or (when paid) will fall to be treated as, representative of interest under [^{F58}that loan relationship] (“the real interest”).

[^{F59}and references to a relationship to which this section applies, and to a company’s being party to such a relationship, shall be construed accordingly]

- [^{F60}(2) Where a company has a relationship to which this section applies—]
- (a) this Chapter shall have effect in relation to the company and the manufactured interest under the relationship—
 - (i) as it would have effect if the manufactured interest were interest payable on a loan by, or (as the case may be) to, the company and were accordingly interest under a loan relationship to which the company is a party, and
 - (ii) where that company is the company to which the manufactured interest is payable, as if that relationship were the one under which the real interest is payable, but
 - (b) the only credits or (subject to subsection (4A) below) debits to be brought into account for the purposes of this Chapter by virtue of this section in respect of a relationship are those relating to that interest,

and, subject to paragraphs (a)(ii) and (b) above, references in the Corporation Tax Acts to a loan relationship accordingly include a reference to a relationship to which this section applies.]

- (3) Any question whether debits or credits falling to be brought into account in the case of any company by virtue of this section—
- (a) are to be brought into account under section 82(2) above, or
 - (b) are to be treated as non-trading debits or non-trading credits,
- shall be determined according to the extent (if any) to which the manufactured interest is paid for the purposes of a trade carried on by the company or is received in the course of activities forming an integral part of such a trade.

[^{F61}(3A) To the extent that debits or credits fall to be brought into account by a company under section 82(2) above in the case of a relationship to which this section applies,

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the company shall be regarded for the purposes of this Chapter as being party to the relationship for the purposes of a trade carried on by the company.]

- (4) Where section [^{F62}736B(2) or] 737A(5) of the Taxes Act 1988 (deemed manufactured payments) has effect in relation to a transaction relating to an asset representing a loan relationship so as, for the purposes of [^{F63}section 737 of, or] Schedule 23A to, that Act, to deem there to have been a payment representative of interest under that relationship, this section shall apply as it would have applied if such a representative payment had in fact been made.

- [^{F64}(4A) Where, for the purposes of section 736B of the Taxes Act 1988, a company is the borrower under a stock lending arrangement, then (pursuant to subsection (2A) of that section (which precludes deductions or group relief for the borrower)) no debits are to be brought into account for the purposes of this Chapter by that company in respect of the deemed representative payment under that section which is treated under subsection (4) above as if it had in fact been made.]

- [^{F65}(5) This section does not apply where the manufactured interest is treated by virtue of paragraph 5(2)(c) or (4)(c) of Schedule 23A to the Taxes Act 1988 (manufactured interest passing through the market) as not being income of the person who receives it.]

Textual Amendments

- F56** Words in s. 97(1) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(2\)\(a\)](#)
- F57** Words in s. 97(1)(a) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(2\)\(b\)](#)
- F58** Words in s. 97(1)(b) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(2\)\(c\)](#)
- F59** Words in s. 97(1) added (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(2\)\(d\)](#)
- F60** S. 97(2) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(3\)](#)
- F61** S. 97(3A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(4\)](#)
- F62** Words in s. 97(4) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(5\)](#)
- F63** Words in s. 97(4) repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(10), Notes 4, 6 of the amending Act) by [1997 c. 16](#), s. 113, [Sch. 18 Pt. VI\(10\)](#)
- F64** S. 97(4A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 13\(6\)](#)
- F65** S. 97(5) repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(10), Notes 3, 4, 6 of the amending Act) by [1997 c. 16](#), s. 113, [Sch. 18 Pt. VI\(10\)](#)

98 Collective investment schemes.

The provisions of this Chapter have effect subject to the provisions of Schedule 10 to this Act (which makes special provision in relation to certain collective investment schemes).

Status: Point in time view as at 02/12/2004.

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

99 Insurance companies.

The preceding provisions of this Chapter have effect subject to Schedule 11 to this Act (which makes special provision in relation to certain insurance companies and in relation to corporate members of Lloyd's).

Miscellaneous other provisions

[^{F66}100 Interest, and exchange gains and losses, on debts etc not arising from the lending of money

- (1) For the purposes of the Corporation Tax Acts, a company has a relationship to which this section applies in any case where—
- (a) the company stands, or has stood, in the position of a creditor or debtor as respects a money debt;
 - (b) the money debt is not one which arose from a transaction for the lending of money (so that, in consequence of section 81(1)(b) above, there is no loan relationship); and
 - (c) the money debt is one—
 - (i) on which interest is payable to or by the company; or
 - (ii) in relation to which exchange gains or losses arise to the company;
- and references to a relationship to which this section applies, and to a company's being party to such a relationship, shall be construed accordingly.
- (2) Where a company has a relationship to which this section applies—
- (a) this Chapter shall have effect in relation to the interest payable under, or the exchange gains or losses arising to the company from, the relationship as it has effect in relation to interest payable under, or (as the case may be) exchange gains or losses arising to the company from, a loan relationship to which the company is a party; but
 - (b) the only credits or debits to be brought into account for the purposes of this Chapter in respect of the relationship are those relating to the interest or (as the case may be) to the exchange gains or losses;

and, subject to paragraph above, references in the Corporation Tax Acts to a loan relationship accordingly include a reference to a relationship to which this section applies.

[^{F67}(2A) Where—

- (a) a company has a relationship to which section 730BB of the Taxes Act 1988 applies (exchange gains and losses on sale and repurchase of securities),
- (b) in the case of that relationship the circumstances mentioned in section 730A(1)(b) of that Act are such as to give rise to a money debt, and
- (c) the company stands, or has stood, in the position of a creditor or debtor as respects that money debt,

the company shall not be regarded for the purposes of the Corporation Tax Acts as having, by reason of that money debt, a relationship to which this section applies, so far as relating to exchange gains and losses.]

- (3) References in this section to interest payable on a money debt include a reference to any amount which, in pursuance of Schedule 28AA to the Taxes Act 1988 (provision not at arm's length), falls to be treated as—

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- (a) interest on a money debt; or
 - (b) interest on an amount which is treated as a money debt;
- and references in the other provisions of this section to a money debt accordingly include a reference to the amount on which that amount so falls to be treated as interest.
- (4) Except as provided by subsection (7) below, any question whether debits or credits falling to be brought into account by virtue of this section in relation to a company—
- (a) are to be brought into account under section 82(2) above, or
 - (b) are to be treated as non-trading debits or non-trading credits,
- shall be determined in accordance with subsection (5) below (in the case of interest) or subsection (6) below (in the case of an exchange gain or loss).
- (5) In the case of interest, any such question shall be determined according to the extent (if any) to which the interest—
- (a) is paid for the purposes of a trade carried on by the company;
 - (b) is received in the course of activities forming an integral part of such a trade; or
 - (c) in the case of deemed interest, would be deemed to be so paid or received.
- (6) In the case of an exchange gain or loss, any such question shall be determined according to the extent (if any) to which the money debt—
- (a) is owed by the company for the purposes of a trade carried on by the company; or
 - (b) is held in the course of activities forming an integral part of such a trade.
- (7) Any debits or credits which—
- (a) relate to interest payable under the Tax Acts, and
 - (b) fall to be brought into account by virtue of this section in relation to any company,
- are to be treated as non-trading debits or credits.
- (8) To the extent that debits or credits fall to be brought into account by a company under section 82(2) above in the case of a relationship to which this section applies, the company shall be regarded for the purposes of the Corporation Tax Acts as being party to the relationship for the purposes of a trade carried on by the company.
- (9) No exchange gains or losses shall be taken to arise for the purposes of this section if the money debt in question—
- (a) is an amount of tax,
 - (b) is an amount of tax payable under the law of a territory outside the United Kingdom, or
 - (c) is an amount which would, but for any statutory provision or rule of law to the contrary other than section 74(1)(f) or (g) of the Taxes Act 1988, be deductible as an expense in computing profits in accordance with Case I of Schedule D or as an expense of management within section 75 of the Taxes Act 1988, [F68 or expenses payable falling to be brought into account in Step 1 of section 76(7) of that Act]
- except to the extent that, in the case of a money debt falling within paragraph (b) above, a reduction in respect of the tax there mentioned falls to be made under section 811 of the Taxes Act 1988 (double taxation relief: deduction for foreign tax where no credit allowable).

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- (10) For the purposes of this section so far as relating to exchange gains and losses, each of the following shall be treated as a money debt owed to a company—
- (a) any currency held by the company;
 - (b) in the case of a company carrying on insurance business, any deferred acquisition costs, within the meaning of Assets item G.II in the Balance Sheet Format set out after paragraph 9 of Schedule 9A to the Companies Act 1985 (form and content of accounts of insurance companies and groups) as read with note (17) of the Notes on the Balance Sheet Format (which follow immediately after that format).
- (11) For the purposes of this section so far as relating to exchange gains and losses, each of the following shall be treated as a money debt owed by a company—
- (a) any provision made by the company for the purposes of its statutory accounts in respect of a liability to which the company may become subject;
 - (b) in the case of a company carrying on insurance business—
 - (i) any provision made by the company for unearned premiums, within the meaning of Liabilities item C.1 in the Balance Sheet Format set out after paragraph 9 of Schedule 9A to the Companies Act 1985, as read with note (20) of the Notes on the Balance Sheet Format (which follow immediately after that format);
 - (ii) any provision for unexpired risks, as defined in paragraph 81(1) of that Schedule.
- (12) A provision does not fall within paragraph (a) of subsection (11) above unless—
- (a) the duty to settle the liability in question would (if the company were to become subject to it) be owed for the purposes of a trade, a Schedule A business or an overseas property business (within the meaning of section 70A of the Taxes Act 1988); and
 - (b) the provision falls to be taken into account (apart from this Chapter) in computing the profits or losses of the trade, Schedule A business or overseas property business for corporation tax purposes.
- (13) This section has effect subject to the provisions of Schedules 9 and 11 to this Act.]

Textual Amendments

- F66** S. 100 substituted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), [Sch. 23 Pt. 1 para. 6](#) (with [Sch. 23 Pt. 3 para. 25](#))
- F67** S. 100(2A) inserted (with effect in accordance with Sch. 38 para. 21(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 38 para. 14](#)
- F68** Words in s. 100(9)(c) added (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendment of Enactments\) Order 2004 \(S.I. 2004/2310\)](#), art. 1(2), [Sch. para. 49](#)

101 Financial instruments.

- (1) [^{F69}Schedule 26 to the Finance Act 2002 (provisions relating to derivative contracts)] shall not apply to any profit or loss which, [^{F70}in accordance with that Schedule], accrues to a company for any accounting period on [^{F71}a derivative contract] by virtue of which the company is a party to any loan relationship if—
- (a) an amount representing that profit or loss, or

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(b) an amount representing the profit or loss accruing to that company on that contract,
 is brought into account for that period for the purposes of this Chapter.

[^{F72}(1A) This section does not apply where section 94A above applies (treatment of embedded derivatives).]

- (2) ^{F73}
- (3) ^{F73}
- (4) ^{F73}
- (5) ^{F73}
- (6) ^{F73}

Textual Amendments

- F69** Words in s. 101(1) substituted (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 83(1), [Sch. 27 para. 19\(2\)\(a\)](#)
- F70** Words in s. 101(1) substituted (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 83(1), [Sch. 27 para. 19\(2\)\(b\)](#)
- F71** Words in s. 101(1) substituted (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 83(1), [Sch. 27 para. 19\(2\)\(c\)](#)
- F72** S. 101(1A) inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 16](#)
- F73** S. 101(2)-(6) repealed (24.7.2002 with effect as mentioned in s. 83(3)(4) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 83(1), 141, [Sch. 27 para. 19\(3\)](#), [Sch. 40 Pt. 3\(13\)](#)

102 Discounted securities: income tax provisions.

Schedule 13 to this Act (which, in connection with the provisions of this Chapter relating to corporation tax, makes provision for income tax purposes about discounted securities) shall have effect.

Supplemental

103 Interpretation of Chapter.

(1) In this Chapter—

^{F74}
 ...

[^{F75}“amortised cost basis of accounting”, in relation to a loan relationship of a company, means a basis of accounting under which an asset or liability representing the loan relationship is shown in the company’s accounts at cost adjusted for cumulative amortisation and any impairment, repayment or release;]

“creditor relationship”, in relation to a company, means any loan relationship of that company in the case of which it stands in the position of a creditor as respects the debt in question;

“debt” includes a debt the amount of which falls to be ascertained by reference to matters which vary from time to time;

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“debtor relationship”, in relation to a company, means any loan relationship of that company in the case of which it stands in the position of a debtor as respects the debt in question;

[^{F76} “derivative contract” has the same meaning as in Schedule 26 to the Finance Act 2002;]

[^{F77} “exchange gain” and “exchange loss” shall be construed in accordance with subsections (1A) and (1B) below;]

[^{F75} “fair value”, in relation to a loan relationship of a company, means the amount which, at the time as at which the value falls to be determined, is the amount that the company would obtain from or, as the case may be, would have to pay to an independent person for—

- (a) the transfer of all the company’s rights under the relationship in respect of amounts which at that time are not yet due and payable, and
- (b) the release of all the company’s liabilities under the relationship in respect of amounts which at that time are not yet due and payable;

“fair value accounting” means a basis of accounting under which assets or liabilities are shown in the company’s balance sheet at their fair value;]

“gilt-edged securities” means any securities which—

- (a) are gilt-edged securities for the purposes of the ^{M1}Taxation of Chargeable Gains Act 1992; or
- (b) will be such securities on the making of any order under paragraph 1 of Schedule 9 to that Act the making of which is anticipated in the prospectus under which they are issued;

[^{F75} “impairment” includes uncollectability;]

[^{F75} “impairment loss” means a debit in respect of the impairment of a financial asset;]

“an independent person” means a knowledgeable and willing party dealing at arm’s length;

“international organisation” means an organisation of which two or more sovereign powers, or the governments of two or more sovereign powers, are members;

“loan” includes any advance of money, and cognate expressions shall be construed accordingly;

“money” shall be construed in accordance with section 81(6) above and subsection (5) below;

“money debt” shall be construed in accordance with section 81(2) above;

“non-trading credit” and “non-trading debit” shall be construed in accordance with section 82(3) above;

[^{F78} “related transaction” shall be construed in accordance with section 84 above (see subsections (5) and (6) of that section);]

“retail prices index” has the same meaning as it has, by virtue of section 833(2) of the Taxes Act 1988, in the Income Tax Acts;

“share”, in relation to a company, means any share in the company under which an entitlement to receive distributions may arise [^{F79} but does not include a share in a building society].

^{F80}
...

[^{F81}(1A) References in this Chapter to exchange gains or exchange losses, in the case of any company, are references respectively to—

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- (a) profits or gains, or
- (b) losses,

which arise as a result of comparing at different times the expression in one currency of the whole or some part of the valuation put by the company in another currency on an asset or liability of the company.

If the result of such a comparison is that neither an exchange gain nor an exchange loss arises, then for the purposes of this Chapter an exchange gain of nil shall be taken to arise in the case of that comparison.

- (1B) Any reference in this Chapter to an exchange gain or loss from a loan relationship of a company is a reference to an exchange gain or loss arising to a company in relation to an asset or liability representing a loan relationship of the company.]
- (2) For the purposes of this Chapter a company shall be taken to be a party to a creditor relationship for the purposes of a trade carried on by that company only if it is a party to that relationship in the course of activities forming an integral part of that trade.
- (3) For the purposes of this Chapter, and of so much of any other enactment as contains provision by reference to which amounts fall to be brought into account for the purposes of this Chapter, activities carried on by a company in the course of—
- (a) any mutual trading, or
 - (b) any mutual insurance or other mutual business which is not life assurance business (within the meaning of Chapter I of Part XII of the Taxes Act 1988),
- shall be deemed not to constitute the whole or any part of a trade.
- (4) If, in any proceedings, any question arises whether a person is an international organisation for the purposes of any provision of this Chapter, a certificate issued by or under the authority of the Secretary of State stating any fact relevant to that question shall be conclusive evidence of that fact.

^{F82}(5)

[^{F83}(6) Where—

- (a) a company ceases to be a party to a loan relationship in an accounting period (the “cessation period”),
- (b) profits, gains or losses arise to the company from the loan relationship or a related transaction in that accounting period, and
- (c) the credits or debits brought into account for the purposes of this Chapter for that accounting period do not include credits or debits which represent the whole of those profits, gains or losses,

credits or debits in respect of so much of those profits, gains or losses as are not represented by credits or debits brought into account for the cessation period shall continue to be brought into account under this Chapter over one or more subsequent accounting periods (“post-cessation periods”) as in the case of a loan relationship to which the company is a party in those periods, and subsections (7) and (8) below shall apply.

- (7) In any case falling within subsection (6) above, any question—
- (a) whether, in a post-cessation period, the company is to any extent a party to the loan relationship—
 - (i) for the purposes of a trade carried on by it, or
 - (ii) for any other particular purpose or purposes, or

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- (b) whether, in a post-cessation period, the loan relationship is to any extent referable to a particular business, or a particular class, category or description of business, carried on by the company,
shall be determined by reference to the circumstances immediately before the company ceased to be a party to the loan relationship instead of the circumstances in the post-cessation period.
- (8) In any case falling within subsection (6) above, any question—
- (a) whether the loan relationship has to any extent a particular purpose in a post-cessation period, or
- (b) whether there is a connection between the company and any other person for a post-cessation period,
shall be determined by reference to the circumstances in the cessation period instead of the circumstances in the post-cessation period.]

Textual Amendments

- F74** Words in s. 103(1) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 17\(2\)\(a\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F75** Words in s. 103(1) inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 17\(2\)\(b\)](#)
- F76** In s. 103(1) definition of "derivative contract" inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 15](#)
- F77** In s. 103(1) definitions of "exchange gain" and "exchange loss" inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), [Sch. 23 Pt. 1 para. 7\(2\)](#) (with [Sch. 23 Pt. 3 para. 25](#))
- F78** In s. 103(1) definition of "related transaction" inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), [Sch. 23 Pt. 1 para. 7\(2\)](#) (with [Sch. 23 Pt. 3 para. 25](#))
- F79** In s. 103(1) words in definition of "share" inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 14](#)
- F80** Words in s. 103(1) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 17\(2\)\(c\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F81** S. 103(1A)(1B) inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), [Sch. 23 Pt. 1 para. 7\(3\)](#) (with [Sch. 23 Pt. 3 para. 25](#))
- F82** S. 103(5) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 17\(3\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F83** S. 103(6)-(8) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 16](#)

Marginal Citations

- M1** 1992 c. 12.

104 Minor and consequential amendments.

Schedule 14 to this Act (which, for the purposes of both corporation tax and income tax, makes certain minor and consequential amendments in connection with the provisions of this Chapter) shall have effect.

Status: Point in time view as at 02/12/2004.

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

105 Commencement and transitional provisions.

- (1) Subject to Schedule 15 to this Act, this Chapter has effect—
 - (a) for the purposes of corporation tax, in relation to accounting periods ending after 31st March 1996; and
 - (b) so far as it makes provision for the purposes of income tax, in relation to the year 1996-97 and subsequent years of assessment.
- (2) Schedule 15 to this Act (which contains transitional provisions and savings in connection with the coming into force of this Chapter) shall have effect.

Status:

Point in time view as at 02/12/2004.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1996, Chapter II.