



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

LOAN RELATIONSHIPS

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.

Status: Point in time view as at 24/07/2002.

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

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)

C1 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**)

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—

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- (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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