



# Finance Act 1996

## 1996 CHAPTER 8

### PART IV

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER II

#### LOAN RELATIONSHIPS

##### *Miscellaneous other provisions*

#### **100 Interest on judgments, imputed interest, etc.**

- (1) This Chapter shall have effect in accordance with subsection (2) below where—
  - (a) interest on a money debt is payable to or by any company;
  - (b) that debt is one as respects which it stands, or has stood, in the position of a creditor or debtor; and
  - (c) that debt did not arise from a loan relationship.
- (2) It shall be assumed for the purposes of this Chapter—
  - (a) that the interest is interest payable under a loan relationship to which the company is a party; but
  - (b) that the only credits or debits to be brought into account for those purposes in respect of that relationship are those relating to the interest.
- (3) References in this section to interest payable on a money debt include references to any amount <sup>[F1</sup> which, in pursuance of Schedule 28AA to the Taxes Act 1988 (provision not at arm's length), falls to be treated as—
  - (a) interest on a money debt; or
  - (b) interest on an amount which is treated as a money debt.

*Status: Point in time view as at 31/07/1998.*

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

- (4) Any question whether debits or credits falling to be brought into account in accordance with this section in relation to any 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 according to the extent (if any) to which the interest in question 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, or (in the case of deemed interest) would be deemed to be so paid or received.
- (5) This section has effect subject to the provisions of Schedules 9 and 11 to this Act.

#### Textual Amendments

- F1** Words in s. 100(3) substituted (31.7.1998 with effect as mentioned in s. 108(5) of the amending Act) by 1998 c. 36, s. 108(4)(a)

### 101 Financial instruments.

- (1) Chapter II of Part IV of the <sup>M1</sup>Finance Act 1994 (provisions relating to certain financial instruments) shall not apply to any profit or loss which, in accordance with that Chapter, accrues to a company for any accounting period on a qualifying contract by virtue of which the company is a party to any loan relationship if—
- (a) an amount representing that profit or loss, or
  - (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.
- (2) After section 147 of that Act (qualifying contracts) there shall be inserted the following section—

**“147A Debt contracts and options to be qualifying contracts.**

- (1) For the purposes of this Chapter a debt contract or option is a qualifying contract as regards a qualifying company if the company becomes entitled to rights, or subject to duties, under the contract or option at any time on or after 1st April 1996.
  - (2) For the purposes of this Chapter a qualifying company which is entitled to rights, or subject to duties, under a debt contract or option both immediately before and on 1st April 1996 shall be deemed to have become entitled or subject to those rights or duties on that date.
  - (3) This section has effect subject to paragraph 25 of Schedule 15 to the Finance Act 1996 (transitional provisions).”
- (3) After section 150 of that Act (qualifying contracts) there shall be inserted the section set out in Schedule 12 to this Act (which defines debt contracts and options by reference to contracts and options conferring rights and duties to participate in loan relationships).

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- (4) In section 151 of that Act (provisions that may be included in contracts and options), for the words “or a currency contract or option,”, in each place where they occur, there shall be substituted “ a currency contract or option or a debt contract or option ”.
- (5) In section 152(1) of that Act (disregard of provisions for relatively small payments in contracts and options), after “150” there shall be inserted “ or 150A ”.
- (6) In section 153(1) of that Act (qualifying payments), for the word “and” at the end of paragraph (c) there shall be substituted—
  - “(ca) in relation to a qualifying contract which is a debt contract, a payment falling within section 150A(5) or (6) above; and”.

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**Marginal Citations**

**M1** 1994 c. 9.

## **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.

**Status:**

Point in time view as at 31/07/1998.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 1996, Cross Heading: Miscellaneous other provisions.