



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

LOAN RELATIONSHIPS

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 [F¹profits] 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

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- (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).

Textual Amendments
F1 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 [^{F2}(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; [^{F3}or]
 - (b) ^{F4}
 - (c) to be carried back to be set off against profits for earlier accounting periods; ^{F5}
 - (d) ^{F6}

[^{F7}(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.]

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- (4) ^{F8}
- (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), ^{F9} . . . or (c) above, means the deficit period; ^{F10} . . .
- (b) ^{F10}
- (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 [^{F11}subsection (2)(a) or (c) above or where subsection (3A) above has effect]) shall have effect.

Textual Amendments

- F2** 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)**
- F3** 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)**
- F4** 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)**
- F5** 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)**
- F6** 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)**
- F7** 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)**
- F8** 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)**
- F9** 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)**
- F10** 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)**
- F11** 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)**

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