

*Status: Point in time view as at 06/09/1999.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Paragraph 13. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 15 **U.K.**

#### LOAN RELATIONSHIPS: SAVINGS AND TRANSITIONAL PROVISIONS

#### **PART I U.K.**

#### CORPORATION TAX

##### *Further transitional rules for interest under loan relationships*

- 13 (1) Where—
- (a) an amount of interest under a loan relationship of a company accrues or becomes due and payable in an accounting period ending on or after 1st April 1996, but
  - (b) the amount accruing or becoming due and payable has already, in the case of that company, been brought into account for the purposes of corporation tax for an old accounting period,
- no credit or, as the case may be, debit relating to that amount shall be brought into account in the case of that company for the purposes of this Chapter.
- (2) This Chapter shall have effect in accordance with sub-paragraphs (3) and (4) below in relation to any pre-commencement late interest, that is to say, interest which—
- (a) has accrued or become due and payable in an old accounting period, but
  - (b) is paid in an accounting period ending on or after 1st April 1996.
- (3) Where—
- (a) an amount of pre-commencement late interest under a debtor relationship of a company is paid by that company,
  - (b) the amount paid is not interest which, in the case of that company, was brought into account for the purposes of corporation tax for any old accounting period,
  - (c) relief would have been allowable in respect of the amount paid if the provisions of this Chapter had not been enacted, and
  - (d) the amount paid is not interest in relation to which any debit falls (apart from under this sub-paragraph) to be brought into account for the purposes of this Chapter in the case of that company,
- debts shall be brought into account for the purposes of this Chapter in the case of that company as if the amount paid were interest accruing, and becoming due and payable, at the time when it is paid.
- (4) Where—
- (a) an amount of pre-commencement late interest under a creditor relationship of a company is paid to that company,

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- (b) the amount paid is not interest which, in the case of that company, was brought into account for the purposes of corporation tax for any old accounting period,
- (c) the amount paid is not interest in relation to which any credit falls (apart from under this sub-paragraph) to be brought into account for the purposes of this Chapter in the case of that company, and
- (d) the amount paid is not an amount of interest which in relation to a transfer before 1st April 1996 was unrealised interest within the meaning of section 716 of the Taxes Act 1988,

credits shall be brought into account for the purposes of this Chapter in the case of that company as if the amount paid were interest accruing, and becoming due and payable, at the time when it is paid.

(5) Where—

- (a) any interest under a debtor relationship of a company was paid by that company at a time on or after 20th December 1995 but during an old accounting period,
- (b) the company was not required to make the payment at or before that time by virtue of any contractual obligation entered into by that company before 20th December 1995, and
- (c) the interest paid is not interest which, if brought into account for the purposes of corporation tax in accordance with an authorised accruals basis of accounting, would fall to be so brought into account in an old accounting period,

the interest paid shall not, in the case of that company, be brought into account for the purposes of corporation tax in any old accounting period.

(6) Where on 1st April 1996 any interest under a loan relationship remains to be paid to or by a company that ceased to be a party to that relationship before that date, this Chapter (including the preceding provisions of this paragraph) shall have effect, so far as relating to interest under a loan relationship, as if the relationship were a continuing loan relationship.

(7) Sub-paragraphs (8) and (9) below apply where the accounting period for which any credits or debits relating to interest under a loan relationship are brought into account for the purposes of this Chapter is determined either—

- (a) in accordance with an accruals basis of accounting, by reference to the time when by virtue of this paragraph that interest is deemed to accrue; or
- (b) in accordance with a mark to market basis of accounting, by reference to the time when by virtue of this paragraph the interest is deemed to become due and payable.

(8) If—

- (a) at the time when the interest in fact accrued or (as the case may be) when the interest in fact became due and payable, the company was a party to the relationship in question for the purposes of a trade carried on by it, and
- (b) the credits or debits relating to that interest fall to be brought into account for an accounting period determined as mentioned in sub-paragraph (7) above which is a period for the whole or any part of which that company carries on that trade,

those credits or debits shall be so brought into account under section 82(2) of this Act.

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- (9) In a case not falling within sub-paragraph (8) above, credits or debits relating to any interest that fall to be brought into account for the purposes of this Chapter for an accounting period determined as mentioned in sub-paragraph (7) above shall be so brought into account as non-trading credits or, as the case may be, non-trading debits.
- (10) References in this paragraph to interest under a loan relationship include references to any amounts brought into account for the purposes of corporation tax in accordance with the provisions of section 477A(3) of the Taxes Act 1988 (whether under those provisions as they had effect apart from the amendments made by this Act or under those provisions as amended by this Act).
- (11) In this paragraph “old accounting period”, in relation to a company, means any accounting period of that company ending before 1st April 1996.

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