

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Cross Heading: Other adjustments in the case of chargeable assets etc.. (See end of Document for details)

SCHEDULES

SCHEDULE 15

LOAN RELATIONSHIPS: SAVINGS AND TRANSITIONAL PROVISIONS

PART I

CORPORATION TAX

Other adjustments in the case of chargeable assets etc.

- 11 (1) Where—
- (a) an authorised accruals basis of accounting is applied as respects any continuing loan relationship of a company for the company's first relevant accounting period,
 - (b) an asset representing that relationship is a relevant asset or any liability under it is a relevant liability, and
 - (c) the relationship is not one as respects which, if the company had ceased to be a party to the relationship on 31st March 1996, any amounts would have been brought into account in computing, for an accounting period ending on or after that date, the profits or losses of the company from any trade carried on by it,

that accounting method shall be taken for the purposes of [F1Part 5 of the Corporation Tax Act 2009] to require the asset or liability to be given a notional closing value as at 31st March 1996 in accordance with paragraph 12 below and the following provisions of this paragraph shall apply if there is any difference in the case of that relationship between the amounts mentioned in sub-paragraph (2) below.

[F2(2) Those amounts are—

- (a) the notional closing value of the relationship as at 31st March 1996; and
- (b) the amount which would be taken on a computation made—
 - (i) in accordance with an authorised accruals basis of accounting, and
 - (ii) on the assumption that such a basis of accounting had always been used as respects that relationship,

to represent the accrued value of the loan relationship in question on 1st April 1996.

[If, in a case where the continuing loan relationship is a creditor relationship,—

- F3(2A)
- (a) the company acquired its rights under the relationship on or before 31st March 1996 by virtue of an arm's length transaction,
 - (b) for the accounting period in which it acquired those rights—
 - (i) there was no connection (as defined in sub-paragraph (2C) below) between the company and the person from whom the company acquired the asset, but

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- (ii) there was such a connection between the company and a company standing in the position of a debtor as respects the money debt, and
- (c) there had been no such connection between the companies mentioned in paragraph (b)(ii) above at any time in the period which—
- (i) begins 4 years before the date on which the company acquired those rights, and
- (ii) ends twelve months before that date,
- this paragraph shall have effect as if the amount mentioned in sub-paragraph (2)(b) above were an amount equal to the greater of the amounts mentioned in sub-paragraph (2B) below.
- (2B) Those amounts are—
- (a) the fair value of the rights at the time when the company ceases to be a party to the loan relationship; and
- (b) the fair value of the rights on 1st April 1996.
- (2C) For the purposes of sub-paragraph (2A) above there is a connection between a company and another person at any time if at that time—
- (a) the other person is a company and one of the companies has control of the other,
- (b) the other person is a company and both companies are under the control of the same person, or
- (c) the company is a close company and the other person is a participator in that company or the associate of a person who is such a participator,
- and there is a connection between a company and another person for an accounting period if there is a connection (within paragraphs (a) to (c) above) between the company and the person at any time in that accounting period.
- (2D) For the purposes of sub-paragraph (2C) above—
- (a) subsections (2) to (6) of section 416 of the Taxes Act 1988 (meaning of control) shall apply as they apply for the purposes of Part 11 of that Act;
- (b) subject to paragraph (c) below, “participator” and “associate” have the meaning given for the purposes of that Part by section 417 of that Act;
- (c) a person shall not be regarded as a participator in relation to a company by reason only that he is a loan creditor of the company.]
- (3) Where there is a difference between the amounts mentioned in sub-paragraph (2) above, that difference shall be brought into account—
- (a) where the amount mentioned in paragraph (a) of that sub-paragraph is the smaller, as a credit given for the purposes of [^{F4}Part 5 of the Corporation Tax Act 2009] for the accounting period in which the company ceases to be a party to the relationship; and
- (b) in any other case, as a debit so given.]
- (5) Where the company ceases to be within the charge to corporation tax, it shall be deemed for the purposes of this paragraph to have ceased to be a party to the relationship in question immediately before ceasing to be within that charge.
- (6) A credit or debit brought into account under this paragraph shall be brought into account as a non-trading credit or non-trading debit [^{F5}under Part 5 of the Corporation Tax Act 2009].

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(7) In this paragraph—

“chargeable asset”, in relation to a company, means (subject to subparagraph (8) below) any asset held by the company on 31st March 1996 in the case of which one of the following conditions is satisfied, that is to say—

(a) a gain accruing to the company on a disposal of that asset on that date would have fallen to be treated in relation to the company as a chargeable gain; or

(b) a chargeable gain or allowable loss would be deemed to have accrued to the company on any disposal of that asset on that date;

and

“relevant asset” means a chargeable asset or a relevant qualifying asset.

(8) An asset is not a chargeable asset for the purposes of this paragraph if (disregarding the provisions of this Chapter [^{F6}and Part 5 of the Corporation Tax Act 2009]) it is an asset any disposal of which on 31st March 1996 would have fallen to be regarded for the purposes of the 1992 Act as a disposal of a qualifying corporate bond.

(9) Expressions used in this paragraph and paragraph 5 above have the same meanings in this paragraph as in that paragraph.

Textual Amendments

- F1** Words in Sch. 15 para. 11(1) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(7\)\(a\)](#) (with Sch. 2 Pts. 1, 2, [Sch. 2 para. 54](#))
- F2** Sch. 15 para. 11(2)(3) substituted (19.3.1997 with effect as mentioned in [Sch. 13 para. 7](#) of the amending Act) for Sch. 15 para. 11(2)-(4) by [1997 c. 15, s. 83\(6\), Sch. 13 para. 6](#)
- F3** Sch. 15 para. 11(2A)-(2D) 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. 41\(2\)](#)
- F4** Words in Sch. 15 para. 11(3)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(7\)\(a\)](#) (with Sch. 2 Pts. 1, 2, [Sch. 2 para. 54](#))
- F5** Words in Sch. 15 para. 11(6) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(7\)\(b\)](#) (with Sch. 2 paras. 1-10, 54)
- F6** Words in Sch. 15 para. 11(8) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 444\(7\)\(c\)](#) (with Sch. 2 Pts. 1, 2, [Sch. 2 para. 54](#))

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