



# Finance Act 1996

## 1996 CHAPTER 8

### PART IV

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

### CHAPTER II

#### LOAN RELATIONSHIPS

*Computational provisions etc.*

#### **[<sup>F1</sup>88A Accounting method where rate of interest is reset**

- (1) This section applies where—
  - (a) the conditions in subsections (2) and (3) below are satisfied in relation to an asset representing a creditor relationship of a company; and
  - (b) the object, or one of the main objects, of the company entering into or becoming a party to the creditor relationship was the securing, whether for itself or any other person, of a tax advantage (within the meaning of Chapter 1 of Part 17 of the Taxes Act 1988).
- (2) The first condition is that there is or has at any time been a change in—
  - (a) the rate of interest payable in the case of the asset;
  - (b) the amount payable to discharge the debt; or
  - (c) the time at which any payments under the asset (whether of interest or otherwise) fall due.
- (3) The second condition is that the difference between—
  - (a) the fair value of the asset immediately after the change, and
  - (b) the issue price of the asset,is equal to at least 5 per cent of the issue price of the asset.

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*Status: Point in time view as at 19/07/2006. This version of this provision has been superseded.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Section 88A. (See end of Document for details)*

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(4) On and after the day on which the conditions in subsections (2) and (3) above become satisfied in the case of an asset, [<sup>F2</sup>the debits and credits to be brought into account for the purposes of this Chapter as respects the loan relationship must be determined on the basis of fair value accounting] .

<sup>F3</sup>(5) .....

(6) In determining the fair value of an asset for any purpose of this section it shall be assumed that all amounts payable by the debtor will be paid in full as they fall due.]

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**Textual Amendments**

- F1** S. 88A inserted (24.7.2002 with effect as mentioned in s. 71(2)(4) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 71\(1\)](#)
- F2** Words in s. 88A(4) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 6\(2\)](#)
- F3** S. 88A(5) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 6\(3\), Sch. 42 Pt. 2\(6\)](#)

**Status:**

Point in time view as at 19/07/2006. This version of this provision has been superseded.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 1996, Section 88A.