



# Finance Act 1996

## 1996 CHAPTER 8

### PART IV

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

### CHAPTER II

#### LOAN RELATIONSHIPS

#### *[<sup>F1</sup>Shares treated as loan relationships]*

#### **[<sup>F1</sup>91B Non-qualifying shares**

- (1) This section applies for the purposes of corporation tax in relation to [<sup>F2</sup>the times in a company's accounting period during which] —
  - (a) the company ("the investing company") holds a share in another company ("the issuing company"),
  - (b) the share is not one which, by virtue of paragraph 4 of Schedule 10 to this Act (holdings in unit trusts and offshore funds), falls to be treated for that accounting period as if it were rights under a creditor relationship of the investing company, and
  - (c) the share is a non-qualifying share (see subsection (6)),and [<sup>F3</sup>, during those times, section 91A above does not apply] in relation to the investing company in the case of that share.
- (2) This Chapter shall have effect for that accounting period in accordance with subsection (3) below as if [<sup>F4</sup>during those times] —
  - (a) the share were rights under a creditor relationship of the investing company, and
  - (b) any distribution in respect of the share were not a distribution falling within section 209(2)(a) or (b) of the Taxes Act 1988.

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*Status: Point in time view as at 19/07/2006. This version of this provision has been superseded.*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 91B. (See end of Document for details)*

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- (3) The debits and credits to be brought into account by the investing company for the purposes of this Chapter as respects the share must be determined on the basis of fair value accounting.
- (4) In any case where Condition 1 in section 91C below is satisfied, no debits are to be brought into account in respect of any transaction (or series of transactions) which (apart from the assumption in subsection (6) of section 91C below) would have the effect of causing the condition in paragraph (a) or (b) of subsection (1) of that section not to be satisfied.
- (5) In any case where Condition 3 in section 91E below is satisfied—
- (a) debits and credits shall be brought into account for the purposes of Schedule 26 to the Finance Act 2002 (derivative contracts) by the investing company in respect of any associated transaction falling within section 91E below as if it were, or were a transaction in respect of, a derivative contract (if that is not in fact the case), and
  - (b) those debits and credits shall be determined on the basis of fair value accounting.
- (6) A share is a non-qualifying share for the purposes of this section if—
- (a) it is not one where section 95 of the Taxes Act 1988 (dealers etc) applies in relation to distributions in respect of the share, and
  - (b) one or more of the Conditions in sections 91C to 91E below is satisfied.
- (7) Subsection (10) of section 91A above (company treated as holding a share) also applies for the purposes of this section.]

#### **Textual Amendments**

- F1** S. 91B inserted (with effect in accordance with Sch. 7 para. 10(7) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 7 para. 10\(3\)](#)
- F2** Words in s. 91B(1) substituted (with effect in accordance with Sch. 6 para. 14(4)(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 6 para. 14\(2\)\(a\)](#)
- F3** Words in s. 91B(1) substituted (with effect in accordance with Sch. 6 para. 14(4)(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 6 para. 14\(2\)\(b\)](#)
- F4** Words in s. 91B(2) inserted (with effect in accordance with Sch. 6 para. 14(4)(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 6 para. 14\(3\)](#)

**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 91B.