



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

LOAN RELATIONSHIPS

[^{F1}Shares treated as loan relationships]

[^{F1}91C Condition 1 for section 91B(6)(b)]

- (1) Condition 1 is that the assets of the issuing company are of such a nature that the fair value of the share—
- (a) is likely to increase at a rate which represents a return on an investment of money at a commercial rate of interest, and
 - (b) is unlikely to deviate to a substantial extent from that rate of increase.

Fluctuations in value resulting from changes in exchange rates are to be left out of account for the purposes of [^{F2}this subsection].

- (2) But Condition 1 is not satisfied if the whole or substantially the whole by fair value of the assets of the issuing company are income producing.
- (3) The assets which, for the purposes of this section, are “income producing” are—
- (a) any share as respects which the conditions in section 91A(1) above are satisfied;
 - (b) any share as respects which Condition 1 above is satisfied or would, apart from subsection (2) above, be satisfied;
 - [^{F3}(c) any share as respects which the condition in section 91D(1)(b) below is satisfied;]
 - (d) any share as respects which Condition 3 in section 91E below is satisfied;

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Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Section 91C. (See end of Document for details)

- (e) any asset of a description specified in any paragraph of paragraph 8(2) of Schedule 10 to this Act (qualifying investments in relation to a unit trust scheme or an offshore fund);
 - [^{F4}(f) rights under a creditor repo within the meaning of paragraph 7 of Schedule 13 to the Finance Act 2007;]
 - (g) any share in a company the whole or substantially the whole by fair value of whose assets are assets within paragraphs (a) to (f) above.
- (4) The Treasury may by regulations amend this section for the purpose of adding to the assets which are income producing.
- (5) The provision that may be made by regulations under this section includes provision for the regulations to have effect in relation to accounting periods (whenever beginning) which end on or after the day on which the regulations come into force.
- (6) For the purposes of subsection (1) above, it shall be assumed that no transaction (or series of transactions) intended to cause the condition in paragraph (a) or (b) of that subsection not to be satisfied will be [^{F5}or has been entered into].
- (7) This section shall be construed as one with section 91B above.]

Textual Amendments

- F1** Ss. 91C-91E 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(4)**
- F2** Words in s. 91C(1) substituted (with effect in accordance with Sch. 22 para. 12 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 22 para. 11(2)**
- F3** S. 91C(3)(c) substituted (with effect in accordance with Sch. 22 para. 14(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 22 para. 14(1)**
- F4** S. 91C(3)(f) substituted (with effect in accordance with art. 3 of the commencing S.I.) by [Finance Act 2007 \(c. 11\)](#), s. 47(4), **Sch. 14 para. 15**; S.I. 2007/2483, art. 3
- F5** Words in s. 91C(6) substituted (with effect in accordance with Sch. 22 para. 12 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 22 para. 11(3)**

Status:

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