



Finance Act 2002

2002 CHAPTER 23

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

OTHER PROVISIONS

Loan relationships

71 Accounting method where rate of interest etc is reset

(1) After section 88 of the Finance Act 1996 (c. 8) insert—

“88A Accounting method where rate of interest is reset

- (1) This section applies where—
- the conditions in subsections (2) and (3) below are satisfied in relation to an asset representing a creditor relationship of a company; and
 - 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—
- the rate of interest payable in the case of the asset;
 - the amount payable to discharge the debt; or
 - 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—

Status: Point in time view as at 05/10/2004.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Cross Heading: Loan relationships. (See end of Document for details)

- (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.
- (4) On and after the day on which the conditions in subsections (2) and (3) above become satisfied in the case of an asset, the only accounting method authorised for the purposes of this Chapter for use by any company as respects a creditor relationship represented by the asset shall be an authorised mark to market basis of accounting.
 - (5) Where section 90 below applies in consequence of subsection (4) above, no debit shall be brought into account under subsection (2)(c) or (3)(b) of that section.
 - (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.”.
- (2) This section has effect on and after the relevant day.
 - (3) Where an authorised mark to market basis of accounting—
 - (a) is required by virtue of this section to be used on and after the relevant day as respects a creditor relationship of a company, but
 - (b) was not being used immediately before that day as respects the relationship, the asset representing the relationship shall be treated for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 as having been acquired by the company for the asset’s fair value (as determined for the purposes of section 88A of that Act) on the relevant day.
 - (4) For the purposes of this section “the relevant day” is—
 - (a) 19th December 2001, in a case where section 88A of that Act applies by reason of a change in the rate of interest payable in the case of the asset in question; or
 - (b) 24th April 2002, in any other case.

F172 Convertible securities etc: loan relationships

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Textual Amendments

F1 S. 72 repealed (with effect in accordance with s. 52(3), Sch. 10 para. 9(2)(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

F273 Convertible securities etc: issuing company not to be connected company

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Textual Amendments

F2 S. 73 repealed (with effect in accordance with s. 52(3), Sch. 10 para. 9(2)(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

Status: Point in time view as at 05/10/2004.

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F³74 Convertible securities etc: debtor relationships

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Textual Amendments

- F3** [S. 74](#) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

F⁴75 Asset-linked loan relationships

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Textual Amendments

- F4** [Ss. 75-77](#) repealed (with effect in accordance with s. 52(3), Sch. 10 para. 11(2)(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

F⁴76 Asset-linked loan relationships involving guaranteed returns

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Textual Amendments

- F4** [Ss. 75-77](#) repealed (with effect in accordance with s. 52(3), Sch. 10 para. 11(2)(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

F⁴77 Loan relationships ceasing to be within section 93 of the Finance Act 1996

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Textual Amendments

- F4** [Ss. 75-77](#) repealed (with effect in accordance with s. 52(3), Sch. 10 para. 11(2)(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

F⁵78

Textual Amendments

- F5** [S. 78](#) repealed (with effect in accordance with s. 83(3)) by [2002 c. 23, ss. 83, 141, Sch. 27 para. 25, Sch. 40, Pt. 3\(13\)](#) Note 2

Status:

Point in time view as at 05/10/2004.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2002, Cross Heading: Loan relationships.