



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 7

TAXABLE BENEFITS: LOANS

Supplementary provisions relating to taxable cheap loans

187 Aggregation of loans by close company to director

- (1) This section applies where, in relation to any tax year, there are employment-related loans between the same lender and borrower which are aggregable with each other.
- (2) The lender may elect for aggregation to apply for that tax year in the case of the borrower.
- (3) The effect of the election is that all the aggregable loans are to be treated as a single loan for the purposes of—
 - section 175 (benefit of taxable cheap loan treated as earnings),
 - the provisions of this Chapter relating to the calculation of the cash equivalent of the benefit of a taxable cheap loan, and
 - section 184 (interest treated as paid).
- (4) For this purpose loans are aggregable for any tax year if they are made in the same currency and all the following conditions are met in relation to each of them—
 - (a) there is a time in the tax year when—
 - (i) the loan is outstanding,

Changes to legislation: *Income Tax (Earnings and Pensions) Act 2003, Section 187 is up to date with all changes known to be in force on or before 22 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (ii) the lender is a close company, and
 - (iii) the borrower is a director of that company;
 - (b) at all times in the tax year the rate of interest on the loan is less than the official rate applying at that time;
 - (c) the loan is not a qualifying loan within the meaning of section 180 (see section 180(5)).
- (5) An election under this section must be made by the lender in a notice given—
- (a) to [^{F1}an officer of Revenue and Customs] , and
 - (b) before 7th July after the end of the tax year to which the election relates.

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 102\(1\)](#); S.I. 2005/1126, art. 2(2)(h)

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 452(2)(aa) inserted by [2013 c. 29 Sch. 23 para. 11](#)
- s. 707A inserted by [2024 c. 3 s. 36\(4\)](#)