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*Status: Point in time view as at 20/07/2005.*

**Changes to legislation:** *There are currently no known outstanding effects for the Finance (No. 2) Act 2005, Cross Heading: Meaning of “commercial rate of interest”. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 7

#### AVOIDANCE INVOLVING FINANCIAL ARRANGEMENTS

##### *Meaning of “commercial rate of interest”*

- 13 (1) In section 103 of FA 1996 (interpretation) after subsection (3) insert—
- “(3A) For the purposes of this Chapter, a commercial rate of interest, in the case of a company and any asset, is—
- (a) a rate (“the simple commercial rate”) that is reasonably comparable to the rate that the company could obtain by placing on deposit the money it invested in the asset, or
  - (b) in any case where—
    - (i) the likely rate of increase in the value of the asset is in question, and
    - (ii) that likely rate is a lower rate than the simple commercial rate, and
    - (iii) the difference is a result of an expectation that the company would also obtain a tax advantage as a result of investing in the asset,that lower rate.
- (3B) In subsection (3A) above, “tax advantage” has the meaning given by section 709(1) of the Taxes Act 1988.”.
- (2) The amendment made by this paragraph has effect in relation to assets held on or after 16th March 2005 (whenever acquired).

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