



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 4

SAVINGS AND INVESTMENT INCOME

CHAPTER 6

RELEASE OF LOAN TO PARTICIPATOR IN CLOSE COMPANY

418 Relief where borrowers liable as settlors

- (1) Relief is given under this section if the person to whom the loan or advance was made—
 - (a) is liable for the tax year for income tax on a sum in respect of it under Chapter 5 of Part 5 as a result of section 633 (capital sums paid to settlor by trustees of settlement), or
 - (b) has been so liable for any previous tax year.
- (2) If the total amount previously charged (see subsection (4)) equals or exceeds the total amount released (see subsection (6)), tax is not charged under this Chapter.
- (3) If the total amount released exceeds the total amount previously charged, tax is charged under this Chapter on the excess^{F1}....
- (4) In this section “the total amount previously charged” means the total of—
 - (a) the sums included in the person's income under section 633 in respect of the loan or advance for the tax year or for previous tax years, and
 - (b) the amounts charged under this Chapter in respect of the loan or advance for previous tax years.

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the *Income Tax (Trading and Other Income) Act 2005, Section 418*. (See end of Document for details)

- (5) For the purposes of subsection (4)(a), section 640(1) (which requires the grossing up of the sums treated as paid to the settlor by reference to the [^{F2}trust rate]) is ignored.
- (6) In this section “the total amount released” means the total amount released or written off in respect of the loan or advance in the tax year and previous tax years.

Textual Amendments

- F1** Words in s. 418(3) omitted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 1 para. 19](#)
- F2** Words in s. 418(5) substituted (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1034, [Sch. 1 para. 521](#) (with transitional provisions and savings in Sch. 2)

Status:

Point in time view as at 15/09/2016.

Changes to legislation:

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