



Finance Act 2005

2005 CHAPTER 7

PART 2

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 5

ALTERNATIVE FINANCE ARRANGEMENTS

Arrangements giving rise to alternative finance return

VALID FROM 07/04/2005

47 Alternative finance arrangements: alternative finance return

- (1) Subject to subsection (3) and section 52, arrangements fall within this section if they are arrangements entered into between two persons under which—
- (a) a person (“X”) purchases an asset and sells it, either immediately or in circumstances in which the conditions in subsection (2) are met, to the other person (“Y”),
 - (b) the amount payable by Y in respect of the sale (“the sale price”) is greater than the amount paid by X in respect of the purchase (“the purchase price”),
 - (c) all or part of the sale price is not required to be paid until a date later than that of the sale, and
 - (d) the difference between the sale price and the purchase price equates, in substance, to the return on an investment of money at interest.
- (2) The conditions referred to in subsection (1)(a) are—
- (a) that X is a financial institution, and
 - (b) that the asset referred to in that provision was purchased by X for the purpose of entering into arrangements falling within this section.

Status: Point in time view as at 02/12/2004. This version of this provision is not valid for this point in time.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005, Section 47. (See end of Document for details)

- (3) Arrangements do not fall within this section unless at least one of the parties is a financial institution.
- (4) For the purposes of this section “the effective return” is so much of the sale price as exceeds the purchase price.
- (5) In this Chapter references to “alternative finance return” are to be read in accordance with subsections (6) and (7).
- (6) If under arrangements falling within this section the whole of the sale price is paid on one day, that sale price is to be taken to include alternative finance return equal to the effective return.
- (7) If under arrangements falling within this section the sale price is paid by instalments, each instalment is to be taken to include alternative finance return equal to the appropriate amount.
- (8) The appropriate amount, in relation to any instalment, is an amount equal to the interest that would have been included in the instalment if—
 - (a) the effective return were the total interest payable on a loan by X to Y of an amount equal to the purchase price,
 - (b) the instalment were a part repayment of the principal with interest, and
 - (c) the loan were made on arm's length terms and accounted for under generally accepted accounting practice.

Status:

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Changes to legislation:

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