



Corporation Tax Act 2009

2009 CHAPTER 4

PART 3

TRADING INCOME

CHAPTER 6

TRADE PROFITS: RECEIPTS

Reverse premiums

96 Reverse premiums

- (1) For the purposes of sections 98 and 99 a payment or other benefit is a reverse premium if—
 - (a) conditions A, B and C are met, and
 - (b) it is not excluded by section 97.
- (2) Condition A is that a company (“the recipient”) receives the payment or other benefit by way of inducement in connection with a transaction being entered into by—
 - (a) the recipient, or
 - (b) a person connected with the recipient.
- (3) Condition B is that the transaction (the “property transaction”) is one under which—
 - (a) the recipient, or
 - (b) the person connected with the recipient, becomes entitled to an estate, interest or right in or over land.
- (4) Condition C is that the payment or other benefit is paid or provided by—
 - (a) the person (“the grantor”) by whom the estate, interest or right is granted or was granted at an earlier time,
 - (b) a person connected with the grantor, or

Status: Point in time view as at 01/04/2010.

Changes to legislation: Corporation Tax Act 2009, Cross Heading: Reverse premiums is up to date with all changes known to be in force on or before 23 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)

- (c) a nominee of, or a person acting on the directions of, the grantor or a person connected with the grantor.

97 Excluded cases

- (1) A payment or other benefit is not a reverse premium so far as it is brought into account under section 532 of CAA 2001 (the general rule excluding contributions) to reduce the recipient's expenditure qualifying for capital allowances.
- (2) A payment or other benefit received in connection with a property transaction is not a reverse premium if—
- the person entering into the transaction is an individual, and
 - the transaction relates to premises occupied or to be occupied by the individual as the individual's only or main residence.
- (3) A payment or other benefit is not a reverse premium so far as it is consideration for the transfer of an estate or interest in land which constitutes the sale in a sale and leaseback arrangement.
- (4) A “sale and leaseback arrangement” means any such arrangement as is described in [F1section 681AA(1) or (2) or 681AB(1) or (2) of ITA 2007 or][F2section 835(1) or (2), 836(1) or (2) or 850 of CTA 2010].

Textual Amendments

- F1** Words in s. 97(4) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 263](#) (with [Sch. 9 paras. 1-9, 22](#))
- F2** Words in s. 97(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 596](#) (with [Sch. 2](#))

98 Tax treatment of reverse premiums

- (1) A reverse premium is treated for corporation tax purposes as a receipt of a revenue nature.
- (2) If the recipient enters into the property transaction for the purposes of a trade carried on (or to be carried on) by the recipient, the reverse premium is brought into account in calculating the profits of the trade.
- (3) If subsection (2) does not apply, the reverse premium is charged to corporation tax in accordance with section 250 (reverse premium taxed as property business receipt).

99 Arrangements not at arm's length

- (1) This section applies if—
- two or more of the parties to the property arrangements are connected persons, and
 - the terms of those arrangements are not such as would reasonably have been expected if those persons had been dealing at arm's length.

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- (2) The terms of the property arrangements meet the condition in subsection (1)(b) if they differ to a significant extent from the terms which, at the time the arrangements were entered into, would be regarded as normal and reasonable—
 - (a) in the market conditions then prevailing, and
 - (b) between persons dealing with each other at arm's length in the open market.
- (3) The whole amount or value of the reverse premium brought into account under section 98 is brought into account in the first relevant period of account.
- (4) “The first relevant period of account” means the period of account in which the property transaction is entered into.
- (5) However if the recipient enters into the property transaction for the purposes of a trade—
 - (a) which is not then carried on by the recipient, but
 - (b) which the recipient subsequently starts to carry on,“the first relevant period of account” means the first period of account in which the recipient carries on the trade.

100 Connected persons and property arrangements

For the purposes of this section and sections 96 to 99—

- (a) persons are treated as connected with each other if they are connected at any time during the period when the property arrangements are entered into, and
- (b) “the property arrangements” means the property transaction and any arrangements entered into in connection with it (whether before it, at the same time as it or after it).

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