



Corporation Tax Act 2009

2009 CHAPTER 4

PART 5

LOAN RELATIONSHIPS

CHAPTER 1

INTRODUCTION

How profits and deficits from loan relationships are dealt with

295 General rule: profits arising from loan relationships chargeable as income

- (1) The general rule for corporation tax purposes is that all profits arising to a company from its loan relationships are chargeable to tax as income in accordance with this Part.
- (2) But see section 465 (exclusion of distributions except in tax avoidance cases).

296 Profits and deficits to be calculated using credits and debits given by this Part

Profits and deficits arising to a company from its loan relationships are to be calculated using the credits and debits given by this Part.

297 Trading credits and debits to be brought into account under Part 3

- (1) This section applies so far as in any accounting period a company is a party to a loan relationship for the purposes of a trade it carries on.
- (2) The credits in respect of the relationship for the period are treated as receipts of the trade which are to be brought into account in calculating its profits for that period.
- (3) The debits in respect of the relationship for the period are treated as expenses of the trade which are deductible in calculating those profits.

Changes to legislation: Corporation Tax Act 2009, Cross Heading: How profits and deficits from loan relationships are dealt with is up to date with all changes known to be in force on or before 29 June 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

- (4) So far as subsection (3) provides for any amount to be deductible, it has effect despite anything in—
- (a) section 53 (capital expenditure),
 - (b) section 54 (expenses not wholly and exclusively for trade and unconnected losses), or
 - (c) section 59 (patent royalties).
- (5) This section is subject to—
- (a) section 330 (debits in respect of pre-trading expenditure),
 - (b) section 482(1) (under which credits or debits to be brought into account under Chapter 2 of Part 6 (relevant non-lending relationships) are treated as non-trading credits or debits), and
 - (c) ^{F1}sections 286(5) and 287(5) of CTA 2010] (under which some credits and debits affecting ring-fence profits from petroleum extraction activities are treated as non-trading credits and debits).

Textual Amendments

- F1** Words in s. 297(5)(c) 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. 604** (with Sch. 2)

298 Meaning of trade and purposes of trade

- (1) For the purposes of this Part a company is taken to be a party to a creditor relationship for the purposes of a trade it carries on only if it is a party to the relationship in the course of activities forming an integral part of the trade.
- (2) For the meaning of “creditor relationship”, see section 302(5).
- (3) For the purposes of this Part activities carried on by a company in the course of—
- (a) any mutual trading, ^{F2}or]
 - (b) any mutual insurance or other mutual business which is not life assurance business, ^{F3}...
 - ^{F3}(c)
are treated as not constituting the whole or any part of a trade.
- (4) Subsection (3) applies for the purposes of any other relevant enactment as it applies for the purposes of this Part.
- (5) In subsection (4) “relevant enactment” means so much of any enactment as contains provision by reference to which amounts are to be brought into account for the purposes of this Part.
- ^{F4}(6) In the case of activities carried on by a company in the course of any basic life assurance and general annuity business, provision corresponding to that made by subsection (3) is made by section 88 of FA 2012 for the purpose of applying the I - E rules.]

Textual Amendments

- F2** Word in s. 298(3)(a) inserted (17.7.2012) by Finance Act 2012 (c. 14), **Sch. 16 para. 147(2)(a)**

Changes to legislation: Corporation Tax Act 2009, Cross Heading: How profits and deficits from loan relationships are dealt with is up to date with all changes known to be in force on or before 29 June 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

- F3** S. 298(3)(c) and the word immediately preceding it omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 147\(2\)\(b\)](#)
- F4** S. 298(6) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 147\(3\)](#)

299 Charge to tax on non-trading profits

- (1) The charge to corporation tax on income applies to any non-trading profits which a company has in respect of its loan relationships.
- (2) For the meaning of a company having such profits and how they are calculated, see section 301.

300 Method of bringing non-trading deficits into account

- (1) Any non-trading deficit which a company has from its loan relationships must be brought into account in accordance with Chapter 16 (non-trading deficits).
- (2) For the meaning of a company having such a deficit and how it is calculated, see section 301.
- (3) This section and Chapter 16 apply even if none of the company's loan relationships is regarded as a source of income as a result of this Part.

301 Calculation of non-trading profits and deficits from loan relationships: non-trading credits and debits

- (1) Whether a company has non-trading profits or a non-trading deficit from its loan relationships for an accounting period is determined [^{F5}in accordance with subsections (4) to (7)], using the non-trading credits and non-trading debits given by this Part for the accounting period.

[^{F6}(1A) In the case of a non-UK resident company, subsections (4) to (7) need to be read with section 5(3), (3A)(b) and (3B)(b) (territorial scope of charge to corporation tax).]

- (2) In this Part—
 - (a) “non-trading credits” means credits for any accounting period in respect of a company's loan relationships that are not brought into account under section 297(2), and
 - (b) “non-trading debits” means debits for any accounting period in respect of a company's loan relationships that are not brought into account under section 297(3).
- (3) But see also—
 - (a) section 330 (debts in respect of pre-trading expenditure), and
 - (b) section 482(1) (under which credits or debits to be brought into account under Chapter 2 of Part 6 (relevant non-lending relationships) are treated as non-trading credits or debits).
- (4) A company has non-trading profits for an accounting period from its loan relationships if the non-trading credits for the period exceed the non-trading debits for the period or there are no such debits.
- (5) The non-trading profits are equal to those credits, less any such debits.

Changes to legislation: Corporation Tax Act 2009, Cross Heading: How profits and deficits from loan relationships are dealt with is up to date with all changes known to be in force on or before 29 June 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

- (6) A company has a non-trading deficit for an accounting period from its loan relationships if the non-trading debits for the period exceed the non-trading credits for the period or there are no such credits.
- (7) The non-trading deficit is equal to those debits, less any such credits.

Textual Amendments

- F5** Words in s. 301(1) substituted (6.4.2020) by [Finance Act 2019 \(c. 1\)](#), [Sch. 5 paras. 15\(2\)](#), 35 (with [Sch. 5 para. 36](#))
- F6** S. 301(1A) inserted (6.4.2020) by [Finance Act 2019 \(c. 1\)](#), [Sch. 5 paras. 15\(3\)](#), 35 (with [Sch. 5 para. 36](#)); and substituted (6.4.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 6 paras. 1](#), 10

Changes to legislation:

Corporation Tax Act 2009, Cross Heading: How profits and deficits from loan relationships are dealt with is up to date with all changes known to be in force on or before 29 June 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.

[View outstanding changes](#)

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

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

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

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)