



Corporation Tax Act 2010

2010 CHAPTER 4

PART 10

CLOSE COMPANIES

CHAPTER 3

CHARGE TO TAX IN CASE OF LOAN TO PARTICIPATOR

Exceptions to the charge to tax under section 455

456 Exceptions to the charge under section 455

- (1) Section 455 does not apply to a loan or advance made in the ordinary course of a business carried on by a company if the business includes the lending of money.
- (2) Section 455(4)(a) does not apply to a debt incurred for the supply by a close company of goods or services in the ordinary course of its trade or business unless the credit given exceeds 6 months or is longer than that normally given to the company's customers.
- (3) Section 455 does not apply to a loan or advance made to—
 - (a) a director of a close company,
 - (b) an employee of such a company,
 - (c) a director of an associated company of such a company, or
 - (d) an employee of such an associated company,if conditions A, B and C are met (but see subsection (7)).
- (4) Condition A is that—
 - (a) the amount of the loan or advance does not exceed £15,000, and
 - (b) that amount does not exceed £15,000 when taken together with any other outstanding loans and advances which were made to the borrower by—

Status: This is the original version (as it was originally enacted).

- (i) the close company, or
 - (ii) any of its associated companies.
- (5) Condition B is that the borrower works full-time for the close company or any of its associated companies.
- (6) Condition C is that the borrower does not have a material interest in the close company or in any of its associated companies.
- (7) If the borrower acquires such a material interest at a time when the whole or part of any loan or advance within subsection (3) remains outstanding, the close company is to be treated as making to the borrower at that time a loan or advance of an amount equal to the sum outstanding.
- (8) For the meaning of “material interest in a company”, see section 457.

457 Section 456: meaning of “material interest in a company”

- (1) A person has a material interest in a company for the purposes of section 456 if condition A or B is met.
- (2) Condition A is that the person (with or without one or more associates) or any associate of that person (with or without one or more other such associates) is—
- (a) the beneficial owner of, or
 - (b) directly or indirectly able to control,
- more than 5% of the ordinary share capital of the company.
- (3) Condition B is that, in the case of a close company, the person (with or without one or more associates) or any associate of that person (with or without one or more other such associates) possesses or is entitled to acquire such rights as would—
- (a) in the event of the winding up of the company, or
 - (b) in any other circumstances,
- give an entitlement to receive more than 5% of the assets which would then be available for distribution among the participators.