

SCHEDULES

SCHEDULE 7

LOAN RELATIONSHIPS AND DERIVATIVE CONTRACTS

PART 1

LOAN RELATIONSHIPS: AMENDMENTS OF PARTS 5 AND 6 OF CTA 2009

52 After section 465A insert—

“Tax-adjusted carrying value

465B “Tax-adjusted carrying value”

- (1) This section applies for the purposes of this Part.
- (2) “Tax-adjusted carrying value”, in relation to the asset or liability representing a loan relationship, means the carrying value of the asset or liability recognised for accounting purposes, except as provided by subsection (8).
- (3) For the purposes of this section the “carrying value” of the asset or liability includes amounts recognised for accounting purposes in relation to the loan relationship in respect of—
 - (a) accrued amounts,
 - (b) amounts paid or received in advance, or
 - (c) impairment losses (including provisions for bad or doubtful debts).
- (4) For the meaning of “impairment loss” see section 476(1).
- (5) In determining the tax-adjusted carrying value of an asset or liability in a period of account of a company, it is to be assumed that the accounting policy applied in drawing up the company’s accounts for the period was also applied in previous periods of account.
- (6) But if the company’s accounts for the period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous periods of account which differs from that mentioned in subsection (5), that different assumption applies in determining the tax-adjusted carrying value of the asset or liability in the period.
- (7) In determining the tax-adjusted carrying value of an asset or liability at a time other than the end (or beginning) of a period of account of a company, it is to be assumed that a period of account of the company had ended at the time in question.

Status: This is the original version (as it was originally enacted).

- (8) In determining the tax-adjusted carrying value of the asset or liability, the provisions specified in subsection (9) apply as they apply for the purposes of determining the credits and debits to be brought into account under this Part.
- (9) Those provisions are—
- (a) section 308(1A) (amounts recognised in other comprehensive income and transferred to profit and loss),
 - (b) sections 311 and 312 (amounts not fully recognised for accounting purposes),
 - (c) section 320A (amounts recognised in other comprehensive income and not transferred to profit and loss),
 - (d) section 323A (substantial modification: cases where credits not required to be brought into account),
 - (e) section 324 (restriction on debits resulting from revaluation),
 - (f) section 325 (restriction on credits resulting from reversal of disallowed debits),
 - (g) sections 333 and 334 (company ceasing to be UK resident and non-UK company ceasing to hold loan relationship for UK permanent establishment),
 - (h) Chapter 4 (continuity of treatment on transfers within groups or organisations),
 - (i) section 349(2) (application of amortised cost basis of accounting to connected companies relationships),
 - (j) section 352 (disregard of related transactions),
 - (k) section 352A (exclusion of credits on reversal of disregarded loss),
 - (l) section 354 (exclusion of debits for impaired or released connected companies debts),
 - (m) section 360 (exclusion of credits on reversal of impairments of connected companies debts),
 - (n) sections 361 to 363 (deemed debt releases on impaired debts becoming held by connected company),
 - (o) Chapter 8 (connected parties relationships: late interest),
 - (p) section 382 (company partners using fair value accounting),
 - (q) sections 399 to 400C (treatment of index-linked gilt-edged securities),
 - (r) section 404 (restriction on deductions etc relating to FOTRA securities),
 - (s) sections 406 to 412 (deeply discounted securities and close companies),
 - (t) section 415(2) (loan relationships with embedded derivatives),
 - (u) Chapter 13 (European cross-border transfers of business), and
 - (v) Chapter 14 (European cross-border mergers).”