

SCHEDULES

SCHEDULE 12

TRADING INCOME PROVIDED THROUGH THIRD PARTIES: LOANS ETC OUTSTANDING ON 5 APRIL 2019

Meaning of “outstanding”: loans

- 3 (1) An amount of a loan is “outstanding” for the purposes of paragraph 1 if the relevant principal amount exceeds the repayment amount.
- (2) In sub-paragraph (1) “relevant principal amount”, in relation to a loan, means the total of—
- (a) the initial principal amount lent, and
 - (b) any sums that have become principal under the loan, otherwise than by capitalisation of interest.
- (3) In sub-paragraph (1) “repayment amount”, in relation to a loan, means the total of—
- (a) the amount of principal under the loan that has been repaid before 5 December 2016, and
 - (b) payments in money made by T on or after 5 December 2016 by way of repayment of principal under the loan.
- (4) A payment is to be disregarded for the purposes of sub-paragraph (3)(b) if there is any connection (direct or indirect) between the payment and a tax avoidance arrangement (other than the arrangement in pursuance of which the loan was made).
- (5) In this paragraph and in paragraph 9, “tax avoidance arrangement” means an arrangement which has a tax avoidance purpose.
- (6) For the purposes of sub-paragraph (5), an arrangement has a tax avoidance purpose if sub-paragraph (7) applies to a person who is a party to the arrangement.
- (7) This sub-paragraph applies to a person if the main purpose, or one of the main purposes, of the person entering into the arrangement is the avoidance of tax.
- (8) The following paragraphs apply for the purpose of determining whether any payment is connected with a tax avoidance arrangement—
- (a) a payment is connected with a tax avoidance arrangement if (for example) the payment is made (wholly or partly) in pursuance of—
 - (i) the tax avoidance arrangement, or
 - (ii) an arrangement at one end of a series of arrangements with the tax avoidance arrangement being at the other end, and
 - (b) it does not matter whether the person making the payment is unaware of the tax avoidance arrangement.