

Interest and alternative finance payments eligible for relief on qualifying loans and alternative finance arrangements

This Help Sheet gives you information to help you fill in box 5 in the 'Other tax reliefs' section on page Ai 2 of the *Additional information* pages.

Qualifying loans and arrangements

Since 6 April 2005 you have been able to claim relief for alternative finance payments paid on a qualifying alternative finance arrangement on the same basis as someone claiming relief for interest paid on a loan. An alternative finance payment is the charge made by your finance provider over and above the original cost of the asset in the alternative finance arrangement.

You may be able to claim relief for interest paid or for alternative finance payments where the loan or alternative finance arrangement is used:

- to buy ordinary shares in, or lend money to, a close company in which you own more than 5% of the ordinary share capital on your own or with associates, or you own any part of the share capital and work for the greater part of your time in the management and conduct of the company's business, or that of an associated company
- to acquire ordinary share capital in an employee-controlled company if you are a full-time employee. You are regarded as a full-time employee if you work for the greater part of your time as a director or employee of the company or of a subsidiary in which the company has an interest of 51% or more
- to acquire a share or shares in, or to lend money to, a co-operative which is used wholly and exclusively for the purposes of its business
- to acquire an interest in a trading or professional partnership (including a Limited Liability Partnership (LLP) constituted under the LLP Act 2000, other than an investment LLP), or to provide the partnership with funds by way of capital or premium or in advancing money, where the money contributed or advanced is used wholly for the partnership's business
- to buy equipment or machinery for use in your work for your employer, or by a partnership (unless you have already deducted the interest as a business expense) - provided that you, or the partnership, were entitled to claim capital allowances on the item(s) in question. If the equipment or machinery was used only partly for your employment, or only partly for the partnership business, only the business proportion of the loan interest or alternative finance payments qualifies for relief. Go to www.hmrc.gov.uk for more information about relief for interest on a loan and alternative finance payments under an alternative finance arrangement taken out to buy a car or motorbike that you use in your work for your employer.

Interest on loans and alternative finance payments under an alternative finance arrangement to buy or improve rental properties should be entered on the *UK property* pages.

You cannot claim relief for interest on overdrafts or credit cards.

If you are not sure whether you can claim relief for any interest paid or alternative finance payments, ask us or your tax adviser.

Claiming relief

You should make sure that you get (and keep) from your lender a certificate of interest or alternative finance payments you have paid during the year. We may ask to see it.

Beneficial loan interest

If you receive a low-interest or interest-free qualifying loan from your employer you may also be able to claim relief for any benefit taxable on you. For more detailed information go to www.hmrc.gov.uk or ask us or your tax adviser.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.