

● Interest eligible for relief on qualifying loans

This Help Sheet gives you information to help you fill in box 15.2 on page 5 of your Tax Return.

QUALIFYING LOANS

You can claim relief for interest paid on a loan:

- to buy ordinary shares in, or lend money to, a close company in which you own more than 5% of the ordinary share capital, 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 the business of associated companies
- 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 a 51% interest
- 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, 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 qualifies for relief.

Interest on loans to buy or improve rental properties should be shown on the Land and Property Pages, available from the Orderline.

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, ask your Inland Revenue office or tax adviser.

Claiming relief

You should make sure that you get from your lender (and keep) a certificate of interest you have paid during the year. You may be asked to produce it.

Beneficial loan interest

You may also be able to claim relief for any benefit taxable on you if you receive a low-interest or interest-free qualifying loan from your employer. Ask the Orderline for leaflet *IRT45: Low interest loans provided by employers*.

Enter the amount of any qualifying interest paid in box 15.2 on page 5 of your Tax Return.