

Bill 5

CONTENTS

PART 6

LOAN RELATIONSHIPS

CHAPTER 1

INTRODUCTION

Introduction

- 1 Overview of Part [J061080a]
- 2 Relationship of Part 7 and this Part [J061080p]

Relationship of this Part to other provisions

- 3 Amounts brought into account under this Part excluded from being otherwise brought into account [J0610805]
- 4 Interest only deductible in accordance with this Part [j06337A]
- 5 Relationship of this Part to Part [3] [j069691pa]
- 6 Relationship of this Part to Part [8] [j069691pb]
- 7 Exclusion of distributions [j069691p]
- 8 Exclusion of amounts relating to life assurance policies [j069691la]

Basic definitions

- 9 Meaning of “loan relationship”, “creditor relationship”, “debtor relationship” etc [j061081]
- 10 Meaning of “money debt” [j061081ab]
- 11 Meaning of payments, interest, rights and liabilities under a loan relationship [j061081aa]
- 12 Meaning of “related transaction” [j061081ac]

CHAPTER 2

METHOD OF TAXATION

- 13 Introduction [jmethodintro]
- 14 Method of bringing gains into account [j061082i]

- 15 Method of bringing losses into account [j061082]
- 16 Profits and expenses of trades from loan relationships: trading credits and debits [j061082aa]
- 17 Charge to tax on gains from non-trading loan relationships [J061080]
- 18 Income charged under section 17 [J061080ic]
- 19 Calculation of gains and losses from non-trading loan relationships: non-trading credits and debits [j061082ab]

CHAPTER 3

THE CREDITS AND DEBITS TO BE BROUGHT INTO ACCOUNT: GENERAL

Introduction

- 20 Overview of Chapter [j061084i]

General principle as to credits and debits

- 21 General principle for credits and debits: amounts fairly representing gains and losses [j061084]
- 22 Pre-relationship expenses where relationship not entered into [j061084ex]
- 23 Exchange gains and losses from loan relationships [j061084A]

Application of generally accepted accounting practice

- 24 Generally accepted accounting practice and recognised amounts [j061085B]
- 25 Companies without GAAP-compliant accounts: meaning of “amounts recognised for accounting purposes” [j061085A]
- 26 Power to make regulations about accounts [j061085Bb]
- 27 Amounts not fully recognised for accounting purposes: introduction [j061085C]
- 28 Determination of credits and debits where amounts not fully recognised for accounting purposes [j061085Cb]

Accounting bases

- 29 Basis of accounting: “amortised cost basis”, “fair value accounting” and “fair value” [j061087acb]
- 30 Power to make regulations about changes from amortised cost basis to fair value accounting [j061090A]

Adjustments on change of accounting policy

- 31 Introduction to sections 32 to 35 [j0696919A]
- 32 Adjustments on change of accounting policy involving change of value [j0696919Aa]
- 33 Meaning of “accounting value” and “carrying value” [j0696919Ad]
- 34 Change of accounting policy: cessation of loan relationships [j0696919Ab]
- 35 General power to make further provision about changes in accounting policy by regulation [j0696919B]

Rules differing from generally accepted accounting practice

- 36 Credits and debits treated as relating to capital expenditure [j0696914]

- 37 Credits and debits recognised in equity or shareholders' funds [j0696914A]
- 38 Release of debts: cases where companies not required to bring credit into account [j069695]
- 39 Meaning of expressions relating to insolvency etc [j069696Ai]
- 40 Restriction on debits resulting from revaluation [j069696D]
- 41 Restriction on credits resulting from reversal of disallowed debits [j069696Dd]
- 42 Writing off government investments [j069697]
- 43 Disallowance of imported losses etc [j0696910]

Pre-trading expenditure

- 44 Debits in respect of pre-trading expenditure [j061401]

Companies ceasing to be party to loan relationship

- 45 Company ceasing to be party to loan relationship [j0610103b]

Companies moving abroad

- 46 Company ceasing to be UK resident [j0696910A]
- 47 Non-UK resident companies ceasing to hold loan assets and liabilities for permanent establishment in UK [j0696910Aa]

CHAPTER 4

CONTINUITY OF TREATMENT: GROUPS AND SE MERGERS

Continuity of treatment where group member replaces another as party to loan

- 48 Group member replacing another as party to loan [j0696912]
- 49 Transactions to which section 48 applies [j0696912e]
- 50 Meaning of companies replacing each other as parties to loan relationships [j0696912c]
- 51 Exception to section 48: transferor using fair value accounting [j0696912A]

Transferee leaving group after replacing transferor

- 52 Transferee leaving group after replacing transferor as party to loan relationship: introduction [j0696912Aa]
- 53 Replacement of transferor otherwise than because of exempt distribution [j0696912Aba]
- 54 Replacement of transferor because of exempt distribution [j0696912Ab]

Formation of SE by merger

- 55 Formation of SE by merger: disregard of incidental transfers of loan relationships [j0696912B]
- 56 Exception to section 55: transferor using fair value accounting [j0696912Bx]
- 57 Exception to section 55: tax avoidance etc [j0696912By]

CHAPTER 5

CONNECTED COMPANIES RELATIONSHIPS: INTRODUCTION AND GENERAL

- 58 Introduction: meaning of “connected companies relationship” [j061087i]
- 59 Application of amortised cost basis to connected companies relationships [j061087]
- 60 Companies beginning to be connected [j061087b]
- 61 Companies ceasing to be connected [j061087bb]
- 62 Disregard of related transactions [j0696966]

CHAPTER 6

CONNECTED COMPANIES RELATIONSHIPS: IMPAIRMENT LOSSES AND RELEASES OF DEBTS

Introduction

- 63 Introduction [jconncoover]

Exclusion of debits for impaired or released connected company debts

- 64 Exclusion of debits for impaired or released connected companies debts [j069696]
- 65 Cessation of connection [j069696C]
- 66 Exception to section 64: swapping debt for equity [j069696i]
- 67 Exception to section 64: insolvent creditors [j069696A]

Exclusion of credits for connected companies debts on release or reversal of impairments

- 68 Exclusion of credits on release of connected companies debts: general [j069695x]
- 69 Exclusion of credits on release of connected companies debts during creditor’s insolvency [j069695ins]
- 70 Exclusion of credits on reversal of impairments of connected companies debts [j0696963a]

Deemed debt releases on impaired debts becoming held by connected company

- 71 Deemed release of liability: acquisition of creditor rights by connected company at undervalue [j069694A]
- 72 Deemed release of liability: parties becoming connected where creditor’s rights subject to impairment adjustment [j069694m]
- 73 Companies connected for sections 71 and 72 [j069694p]

CHAPTER 7

GROUP RELIEF CLAIMS INVOLVING IMPAIRED OR RELEASED CONSORTIUM DEBTS

- 74 Introduction [j069695Ai]
- 75 Reduction of impairment loss debits exceeding group relief credits where group relief claimed [j069695Ab]
- 76 Effect where credit for release brought into account on amortised cost basis [j069695Af]

- 77 Reduction corresponding to reduction under section 75 where related credits exceed impairment losses [j069695Ac]
- 78 Reduction of group relief claims where there are earlier net consortium debits [j069695Ae]
- 79 Carry forward of claims for group relief where there are no net consortium debits [j069695Ah]
- 80 Group accounting periods [j069695Ag]
- 81 Interpretation [j069695t]

CHAPTER 8

CONNECTED PARTIES RELATIONSHIPS: LATE INTEREST

- 82 Introduction [j069692int]
- 83 Late interest treated as not accruing until paid in some cases [j069692]
- 84 Connection between debtor and person standing in position of creditor [j069692a]
- 85 Loans to close companies by participators etc [j069692c]
- 86 Interpretation of section 85 [j069692i]
- 87 Party to loan relationship having major interest in other party [j069692d]
- 88 Loans by trustees of occupational pension schemes [j069692e]
- 89 Persons indirectly standing in the position of creditor [j069692b]

CHAPTER 9

DEBTS OWED BY OR TO PARTNERSHIPS INVOLVING COMPANIES

- 90 Debts owed by or to partnerships involving companies [j0696919k]
- 91 Determinations of credits and debits by company partners: general [j0696919]
- 92 Company partners using fair value accounting [j0696919kb]
- 93 Inter-partnership lending between connected company partners etc [j0696919m]
- 94 Treatment of exchange gains and losses [j0696919ka]
- 95 Company partners' shares where firm owns deeply discounted securities [j0696919n]

CHAPTER 10

SPECIAL KINDS OF COMPANIES

Investment trusts' and venture capital trusts' creditor relationships

- 96 Investment trusts: gains or losses of a capital nature [j061101A]
- 97 Venture capital trusts: gains or losses of a capital nature [j061101B]

Credit unions

- 98 Credit unions [j06487]

CHAPTER 11

SPECIAL RULES FOR PARTICULAR KINDS OF SECURITIES

Introduction

- 99 Overview of Chapter [j061094i]

Gilt-edged securities

- 100 Index-linked gilt-edged securities: basic rules [j061094]
 101 Index-linked gilt-edged securities: adjustments for changes in index [j061094aa]
 102 Gilt strips [j061095]
 103 Meaning of “strip” [j061095a]
 104 Market value of securities [j061095b]
 105 Restriction on deductions etc relating to FOTRA securities [j112502]
 106 Non-UK resident bankers, insurers and security dealers with interest on 3½% War Loan 1952 Or After [j06475]

Deeply discounted securities: connected companies and close companies

- 107 Deeply discounted securities: introduction [j0696917i]
 108 Postponement until redemption of debits for connected companies’ deeply discounted securities [j0696917]
 109 Companies with connections for section 108 [j0696917aa]
 110 Postponement until redemption of debits for close companies’ deeply discounted securities [j0696918]
 111 Exceptions to section 110 [j0696918ex]
 112 Interpretation of section 110 [j0696918aa]
 113 Persons indirectly standing in the position of creditor [j0696918m]

Funding bonds

- 114 Issue of funding bonds [j061582]
 115 Redemption of funding bonds [j061582a]

Derivatives

- 116 Loan relationships with embedded derivatives [j061094Aaa]
 117 Election for application of section 116 [j0610567]
 118 Further provisions about elections under section 117 [j0610567a]

Options etc

- 119 Assumptions where options etc apply [j069693]

CHAPTER 12

ANTI-AVOIDANCE PROVISIONS

Introduction

- 120 Overview of Chapter [javoidover]

Unallowable purposes and tax relief schemes

- 121 Loan relationships for unallowable purposes [j0696913]
- 122 Meaning of “unallowable purpose” [j0696913a]
- 123 Schemes and arrangements for obtaining relief for interest [j061787]

Transactions not at arm’s length: general

- 124 Transactions not at arm’s length: general [j0696911]
- 125 Disapplication of section 124 where Schedule 28AA to ICTA applies [j0696911xx]
- 126 Bringing into account adjustments made under Schedule 28AA to ICTA [j0696916]

Transactions not at arm’s length: exchange gains and losses

- 127 Exchange gains and losses: loans disregarded under Schedule 28AA to ICTA [j0696911Ab]
- 128 Exchange gains and losses: equity notes where holder associated with issuer [j0696911Aa]
- 129 Exchange gains and losses: cases where no corresponding debtor relationship exists [j0696911Ac]
- 130 Meaning of “relevant corresponding debtor relationship” [j0696911ae]
- 131 Exception to section 129 where loan exceeds arm’s length amount [j0696911Ad]

Connected parties deriving benefit from creditor relationships

- 132 Connected parties deriving benefit from creditor relationships [j061093C]

Tax advantages from resetting interest rates ("reset bonds")

- 133 Application of fair value accounting: reset bonds etc [j061088A]

CHAPTER 13

NON-TRADING LOSSES

- 134 Introduction [j061083]
- 135 Basic rule for losses: carry forward to accounting periods after loss period [j069684]
- 136 Carry forward of loss to later accounting periods [j069684aa]
- 137 Claims to set off loss against profits of loss period or earlier periods [j061083aa]
- 138 Time limits and procedure for claims under section 137(1) [j061083a]
- 139 Claim to set off loss against other profits for the loss period [j069681]
- 140 Claim to carry back loss to earlier accounting periods [j069683]
- 141 Gains available for relief under section 140 [j069683a]

CHAPTER 14

GENERAL AND SUPPLEMENTARY PROVISIONS

Connections between persons

- 142 Companies connected for an accounting period [j061087d]
- 143 Connections where partnerships are involved [j061087c]
- 144 Connection between companies to be ignored in some circumstances [j061088]
- 145 Conditions resulting in connections being ignored for section 144 [j061088b]
- 146 Meaning of “control” [j061087A]
- 147 Meaning of “major interest” [j0696920]
- 148 Treatment of connected companies and partnerships for section 147 [j0696920a]

Other general definitions

- 149 Meaning of expressions relating to exchange gains and losses [j0610103a]
- 150 Meaning of “commercial rate of interest” [j061091ci]
- 151 Other definitions [j0610103]

PART 7

RELATIONSHIPS TREATED AS LOAN RELATIONSHIPS ETC

CHAPTER 1

INTRODUCTION

- 152 Overview of Part [J061080aa]

CHAPTER 2

RELEVANT NON-LENDING RELATIONSHIPS

Introduction: meaning of "relevant non-lending relationship" etc

- 153 Relevant non-lending relationships: introduction [j0610100aa]
- 154 Relevant non-lending relationships not involving discounts [j0610100]
- 155 Relevant non-lending relationships involving discounts [j0610100ab]

Application of Part 6 to relevant non-lending relationships

- 156 Application of Part 6 to relevant non-lending relationships [j0610100a]
- 157 Miscellaneous rules about amounts to be brought into account because of this Chapter [j0610100ae]

Meaning of "money debt" and "interest" in this Chapter

- 158 Exchange gains and losses: amounts treated as money debts [j0610100ca]
- 159 Provision not at arm's length: meaning of “interest” and “money debt” [j0610100e]

Exclusions

- 160 Exclusion of debts where gains or losses within Part [8] or Part [9] [j0610100d]
161 Exclusion of exchange gains and losses in respect of tax debts etc [j0610100c]

CHAPTER 3

UNIT TRUSTS AND OFFSHORE FUNDS

Introduction

- 162 Introduction [j0696108]

Holdings in unit trusts and offshore funds treated as creditor relationship rights

- 163 Holdings in unit trusts and offshore funds treated as creditor relationship rights [j0696104]
164 Holding coming within section 163: opening valuations [j0696106]

The qualifying investments test

- 165 The qualifying investments test [j0696108e]
166 Meaning of “qualifying investments” [j0696108a]
167 Qualifying holdings [j0696108b]
168 Meaning of “hedging relationship” [j0696108c]

Orders

- 169 Power to change investments that are qualifying investments [j0696109]

CHAPTER 4

INDUSTRIAL AND PROVIDENT SOCIETIES

- 170 Industrial and provident society payments treated as interest under loan relationship [j061486]
171 Disallowance of debits for interest where failure to make return [j061486a]

CHAPTER 5

ALTERNATIVE FINANCE ARRANGEMENTS

Introduction

- 172 Introduction [j0610546a]
173 Meaning of “financial institution” [j0610546]

Arrangements that are alternative finance arrangements

- 174 Purchase and resale arrangements [j0610547]
175 Diminishing shared ownership arrangements [j0610547A]
176 Deposit arrangements [j0610549]
177 Profit share agency arrangements [j0610549a]
178 Provision not at arm’s length: exclusion of arrangements from sections 174 to 177 [j0610552]

Alternative finance arrangements treated as loan relationships

- 179 Treatment of alternative finance arrangements as loan relationships etc [j0610550]
 180 Meaning of “alternative finance return”: purchase and resale arrangements [j0610547ab]
 181 Meaning of “alternative finance return”: diminishing shared ownership arrangements [j0610547Am]
 182 Meaning of “profit share return” [j0610549ab]

Alternative finance arrangements: treatment for other tax purposes

- 183 Treatment of purchase and resale and diminishing shared ownership arrangements for other tax purposes [j0610553]
 184 Treatment of principal under profit sharing agency agreements [j0610554]
 185 Provision not at arm’s length: non-deductibility of relevant return [j0610552a]

Orders

- 186 Power to extend this Chapter to other arrangements [j0610698]

CHAPTER 6**SHARES WITH GUARANTEED RETURNS ETC***Application of Part 6 to certain shares as rights under creditor relationship*

- 187 Introduction [jsharesover]
 188 Application of Part 6 to certain shares as rights under creditor relationship [j061091M]

Shares subject to outstanding third party obligations

- 189 Shares subject to outstanding third party obligations [j061091A]
 190 Meaning of “interest-like investment” [j061091Aa]

Non-qualifying shares

- 191 Non-qualifying shares [j061091B]
 192 The increasing value condition [j061091C]
 193 Regulations about income-producing assets [j061091Cc]
 194 The redemption return condition [j061091D]
 195 The redemption return condition: excepted shares [j061091Da]
 196 The redemption return condition: unallowable purposes [j061091Db]
 197 The associated transactions condition [j06191E]
 198 Power to change conditions for non-qualifying shares [j061091F]

Consequences of section 188 applying or ceasing to apply

- 199 Amounts to be brought into account where section 188 applies [j061091Ba]
 200 Shares ceasing to be shares to which section 188 applies [j061091G]

CHAPTER 7

MANUFACTURED INTEREST ETC

- 201 Introduction [j061097i]
- 202 Manufactured interest treated as interest under loan relationship [j061097]
- 203 Disallowance of debits for deemed payments representative of interest under stock lending arrangements [j061097a]

PART 16

EXEMPT INCOME

CHAPTER 1

INCOME FROM LOAN RELATIONSHIPS

- 204 Interest from tax reserve certificates [j062209TR]
- 205 Introduction: securities free of tax to residents abroad (“FOTRA securities”) [j112501AA]
- 206 Exemption of profits from FOTRA securities [j112501]
- 207 Income from savings certificates [j063202sc]
- 208 Income from Ulster Savings Certificates [j063203sc]

- (4) In this Part references to gains or losses from loan relationships include references to gains or, as the case may be, losses from related transactions.

Origin: FA 1996 s.84(1); drafting.

- (5) For the meaning of “loan relationship” and “related transaction”, see section 9 and section 12 respectively and Part 7 (relationships treated as loan relationships etc).

Origin: Drafting.

- (6) Part 16 (exempt income) deals with exemptions from the charges under Part [3] (trading income) and this Part in respect of the gains to which this Part applies.

Origin: Drafting.

- (7) See, in particular, Chapter 1 of Part 16 (income from loan relationships).

Origin: Drafting.

- (8) This section needs to be read with section 2 (relationship of Part 7 and this Part) and sections 3 to 8 (relationship of this Part to other provisions).

Origin: Drafting.

2 Relationship of Part 7 and this Part [J061080p]

- (1) Part 7 deals with matters treated for some or all purposes as loan relationships or rights or payments under loan relationships.

Origin: Drafting.

- (2) Except where the context indicates otherwise, references to this Part in this Act and elsewhere in the Tax Acts include references to Part 7.

Origin: Drafting.

Relationship of this Part to other provisions

3 Amounts brought into account under this Part excluded from being otherwise brought into account [J0610805]

- (1) The amounts that are brought into account in accordance with this Part in respect of any matter are the only amounts that may be brought into account for corporation tax purposes in respect of it.

Origin: FA 1996 s.80(5).

- (2) Subsection (1) is subject to any provision to the contrary.

Origin: FA 1996 s.80(5), Sch.9 paras.1(2), 1A(2).

- (3) In particular, see –
- (a) section 7 (exclusion of distributions),
 - (b) section 8 (exclusion of amounts relating to life assurance policies), and
 - (c) section 125 (disapplication of section 124 where Schedule 28AA to ICTA applies).

Origin: Sch.9 paras.1(2), 1A(2), 11(1A); drafting.

- (5) The credits and debits that are to be so brought into account as a result of this section must be determined on the same basis of accounting as that on which the credits or debits mentioned in subsection (4)(a) are determined.

Origin: FA 1996 s.85C(7).

- (6) In any other case, the credits and debits that are to be so brought into account as a result of this section must be determined on an amortised cost basis of accounting.

Origin: FA 1996 s.85C(8).

Accounting bases

29 Basis of accounting: “amortised cost basis”, “fair value accounting” and “fair value” [j061087acb]

- (1) The general rule is that the amounts that are to be brought into account by a company as credits and debits for any period of account for the purposes of this Part may be determined on any basis of accounting that is in accordance with generally accepted accounting practice and, in particular, an amortised cost basis of accounting or fair value accounting.

Origin: FA 1996 s.85A(1); drafting.

- (2) But subsection (1) is subject to sections 21(1) and 24(2) and the following provisions (which require a particular accounting basis to be used) –
- (a) section 28(5) and (6) (determination of credits and debits where amounts not fully recognised for accounting purposes),
 - (b) section 59 (application of amortised cost basis to connected companies relationships),
 - (c) section 92(2) (company partners using fair value accounting),
 - (d) section 100(2) (index-linked gilt-edged securities: application of fair value accounting),
 - (e) section 132(2) (application of fair value accounting where connected parties derive benefit from creditor relationships),
 - (f) section 133(4) (application of fair value accounting: reset bonds etc),
 - (g) section 157(2) (application of amortised cost basis of accounting to discounts arising from a money debt under a relevant non-lending relationship),
 - (h) section 163(3) (holdings in unit trusts and offshore funds: application of fair value accounting), and
 - (i) section 199(1) (application of fair value accounting where section 188 applies).

Origin: Drafting.

- (3) See also section 30 (power to make regulations about changes from amortised cost basis to fair value accounting).
- (4) In this Part “amortised cost basis of accounting”, in relation to a company’s loan relationship, means a basis of accounting under which an asset or liability representing the loan relationship is shown in the company’s accounts at cost adjusted for cumulative amortisation and any impairment, repayment or release.

33 Meaning of “accounting value” and “carrying value” [j0696919Ad]

- (1) In section 32 “accounting value” means the carrying value of the asset or liability recognised for accounting purposes (but see subsection (4) and paragraph [] of Schedule {j3} (disregard of pre-2005 disallowed debts)).

Origin: FA 1996 Sch.9 para.19A(4).

- (2) For the purposes of this section the “carrying value” of an 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).

Origin: FA 1996 Sch.9 para.19A(4A).

- (3) For the meaning of “impairment loss” see section 151(1).

Origin: Drafting.

- (4) In determining the gains and losses to be recognised in determining the carrying value of the asset or liability for the purposes of this section, the provisions specified in subsection (5) apply as they apply for the purposes of determining the credits and debits to be brought into account under this Part.

Origin: FA 1996 Sch.9 para.19A(4B).

- (5) Those provisions are—
- (a) section 7 (exclusion of distributions),
 - (b) section 8 (exclusion of amounts relating to life assurance policies),
 - (c) sections 48 to 51 (continuity of treatment where group member replaces another as party to loan),
 - (d) section 59(2) (application of amortised cost basis of accounting to connected companies relationships),
 - (e) section 64 (exclusion of debits for impaired or released connected companies debts),
 - (f) section 70 (exclusion of credits on reversal of impairments of connected companies debts),
 - (g) sections 71 to 73 (deemed debt releases on impaired debts becoming held by connected company),
 - (h) Chapter 8 (connected parties relationships: late interest),
 - (i) sections 100 and 101 (loan relationships: treatment of index-linked gilt-edged securities),
 - (j) section 105 (restriction on deductions etc relating to FOTRA securities),
 - (k) sections 110 to 113 (deeply discounted securities of close companies),
 - (l) section 116(2) and (3) (loan relationships with embedded derivatives),
 - (m) section 133(4) (accounting method where rate of interest is reset), and
 - (n) paragraph [] (5½% Treasury Stock 2008-2012) and paragraph [] (disregard of pre-2005 disallowed debts) of Schedule {j3}).

Origin: FA 1996 Sch.9 para.19A(4B).

be brought into account for the purposes of this Part as respects the relationship are determined on that basis.

Origin: FA 1996 Sch.9 para.12B(4).

- (6) It does not matter for the purposes of subsection (5) if the transferor does not otherwise use fair value accounting in respect of the loan relationship.

Origin: FA 1996 Sch.9 para.12B(4).

- (7) In this section “the transferor” and “the transferee” have the same meaning as in section 55.

Origin: Drafting.

57 Exception to section 55: tax avoidance etc [j0696912By]

- (1) Section 55 does not apply in relation to the formation of an SE by merger if condition A or B is met.

Origin: FA 1996 Sch.9 para.12B(5).

- (2) Condition A is that the merger is not effected for genuine commercial reasons.

Origin: FA 1996 Sch.9 para.12B(5).

- (3) Condition B is that the merger forms part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to corporation tax, capital gains tax or income tax.

Origin: FA 1996 Sch.9 para.12B(5).

- (4) This section does not prevent section 55 from applying if before the merger –
- (a) the merging companies have applied to Her Majesty’s Revenue and Customs, and
 - (b) they have notified the companies that they are satisfied that this section will not have that effect.

Origin: FA 1996 Sch.9 para.12B(6).

CHAPTER 5

CONNECTED COMPANIES RELATIONSHIPS: INTRODUCTION AND GENERAL

58 Introduction: meaning of “connected companies relationship” [j061087i]

- (1) This Chapter contains some general rules relating to connected companies relationships.

Origin: Drafting.

- (2) For the purposes of this Part a debtor relationship of a company is a connected companies relationship if there is a connection between –
- (a) the company, and
 - (b) another company standing in the position of a creditor as respects the debt in question.

Origin: FA 1996 s.87(1); Annex 1, Change [jc360].

