

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, SCHEDULE 25. (See end of Document for details)

SCHEDULES

SCHEDULE 25

Section 82

LOAN RELATIONSHIPS

PART 1

AMENDMENTS OF THE FINANCE ACT 1996

Introductory

- 1 Chapter 2 of Part 4 of the Finance Act 1996 (c. 8) (loan relationships) is amended in accordance with the following provisions of this Part of this Schedule.

Meaning of “loan relationship” etc: method of settlement

F12

Textual Amendments

- F1** Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Non-trading deficit on loan relationships

F13

Textual Amendments

- F1** Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Debits and credits brought into account

F24

Textual Amendments

- F2** Sch. 25 paras. 4-6 repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 42 Pt. 2(6)**

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Authorised accounting methods

F25

Textual Amendments

F2 Sch. 25 paras. 4-6 repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

Application of accounting methods

F26

Textual Amendments

F2 Sch. 25 paras. 4-6 repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

Accounting method where parties have a connection

F17

Textual Amendments

F1 [Sch. 25 paras. 2-25](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Meaning of “control” in section 87

F18

Textual Amendments

F1 [Sch. 25 paras. 2-25](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Inconsistent application of accounting methods

F19

Textual Amendments

F1 [Sch. 25 paras. 2-25](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Changes of accounting method

F310

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Textual Amendments

- F3** Sch. 25 para. 10 repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(6\)](#)

Payments subject to deduction of tax

^{F1}11

Textual Amendments

- F1** [Sch. 25 paras. 2-25](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Indexed gilt-edged securities

^{F1}12

Textual Amendments

- F1** [Sch. 25 paras. 2-25](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Manufactured interest

^{F1}13

Textual Amendments

- F1** [Sch. 25 paras. 2-25](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Interpretation: “shares” not to include building society shares

^{F1}14

Textual Amendments

- F1** [Sch. 25 paras. 2-25](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Interpretation: miscellaneous

^{F1}15

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Textual Amendments

F1 Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Provision continuing to be made on accruals basis after company ceases to be party

^{F1}16

Textual Amendments

F1 Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Claims to treat deficit as eligible for group relief

^{F1}17

Textual Amendments

F1 Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Claim to carry back deficit to previous accounting periods

^{F1}18

Textual Amendments

F1 Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Deficit carried forward and set against non-trading profits of succeeding accounting periods

^{F1}19

Textual Amendments

F1 Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Distributions

^{F1}20

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Textual Amendments

- F1** Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Life assurance policies and capital redemption policies

F4²¹

Textual Amendments

- F4** Sch. 25 para. 21 omitted (with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 14 para. 17(k)**

Late interest: further cases where paragraph 2 of Schedule 9 applies

F1²²

Textual Amendments

- F1** Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Bad debts and consortium relief

F1²³

Textual Amendments

- F1** Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Bad debt etc where parties have a connection

F1²⁴

Textual Amendments

- F1** Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Bad debt etc: parties having connection and creditor company in insolvent liquidation etc

F1²⁵

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Textual Amendments

F1 Sch. 25 paras. 2-25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F526

Textual Amendments

F5 Sch. 25 para. 26 repealed (7.4.2005) by Finance Act 2005 (c. 7), **Sch. 11 Pt. 2(5)**

Bad debt etc: departure not permitted by paragraph 6: subsequent cessation of connection

F627

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Imported losses etc

F628

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Continuity of treatment: groups etc

F629

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Loan relationships for unallowable purposes

F630

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

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Debits and credits treated as relating to capital expenditure

F⁶³¹

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Repo transactions and stock lending

F⁷³²

Textual Amendments

F7 Sch. 25 para. 32 repealed (19.7.2007) by Finance Act 2007 (c. 11), **Sch. 27 Pt. 2(14)**

Discounted securities where companies have a connection

F⁶³³

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Discounted securities of close companies

F⁶³⁴

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Partnerships involving companies

F⁶³⁵

Textual Amendments

F6 Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Interpretation of Schedule 9: “major interest”

F⁶³⁶

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Textual Amendments

- F6** Sch. 25 paras. 27-36 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Investment trusts and venture capital trusts: treatment of capital reserves

- 37 (1) Schedule 10 (collective investment schemes) is amended as follows.
(2) For paragraph 1 substitute—

“Investment trusts and venture capital trusts: capital reserves

- 1A (1) Where any profits, gains or losses arising to an investment trust from a creditor relationship for an accounting period are carried to or sustained by a capital reserve in accordance with the Statement of Recommended Practice used for that accounting period, those profits, gains or losses must not be brought into account as credits or debits for the purposes of this Chapter, notwithstanding section 84(2)(b) of this Act.
- (2) Where any profits, gains or losses arising to a venture capital trust from a creditor relationship for an accounting period—
- (a) are carried to or sustained by a capital reserve in accordance with the Statement of Recommended Practice used for the accounting period as if the venture capital trust were an investment trust, or
 - (b) would be carried to or sustained by a capital reserve if the venture capital trust were an investment trust and were using that Statement of Recommended Practice,
- those profits, gains or losses must not be brought into account as credits or debits for the purposes of this Chapter, notwithstanding section 84(2)(b) of this Act.
- (3) For the purposes of this paragraph, the “Statement of Recommended Practice” used for an accounting period is—
- (a) in relation to an accounting period for which it is permitted to be used, the Statement of Recommended Practice relating to Investment Trust Companies, issued by the Association of Investment Trust Companies in December 1995, as from time to time modified, amended or revised, or
 - (b) in relation to any accounting period for which it is permitted to be used, any subsequent Statement of Recommended Practice relating to investment trusts, as from time to time modified, amended or revised.”.

Authorised unit trusts and open-ended investment companies

- 38 (1) Schedule 10 (collective investment schemes) is amended as follows.
(2) For paragraph 2 (which makes special provision in relation to authorised unit trusts and is applied to open-ended investment companies by regulations under section 152 of the Finance Act 1995 (c. 4)) and the heading immediately preceding it substitute—

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“Authorised unit trusts

- 2A (1) Where any profits, gains or losses arising to an authorised unit trust from a creditor relationship in an accounting period are capital profits, gains or losses, those profits, gains or losses must not be brought into account as credits or debits for the purposes of this Chapter, notwithstanding section 84(2)(b) of this Act.
- (2) For the purposes of this paragraph, capital profits, gains or losses arising from a creditor relationship in an accounting period are such profits, gains or losses arising from a creditor relationship as fall to be dealt with under—
- (a) the heading “net gains/losses on investments during the period”, or
 - (b) the heading “other gains/losses”,
- in the statement of total return for the accounting period.
- (3) For the purposes of sub-paragraph (2) above, the statement of total return for an accounting period is the statement of total return which, in accordance with the Statement of Recommended Practice used for the accounting period, must be included in the accounts contained in the annual report of the authorised unit trust which deals with the accounting period.
- (4) For the purposes of sub-paragraph (3) above, “Statement of Recommended Practice” means—
- (a) in relation to any accounting period for which it is required or permitted to be used, the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by the Investment Management Regulatory Organisation Limited in January 1997, as from time to time modified, amended or revised; or
 - (b) in relation to any accounting period for which it is required or permitted to be used, any subsequent Statement of Recommended Practice relating to authorised unit trust schemes, as from time to time modified, amended or revised.
- (5) The Treasury may by order amend this paragraph so as to alter the definition of capital profits, gains or losses in consequence of the modification, amendment, revision or replacement of a Statement of Recommended Practice.
- (6) The power to make an order under this paragraph includes power—
- (a) to make different provision for different cases; and
 - (b) to make such consequential, supplementary, incidental or transitional provision, or savings, as appear to the Treasury to be necessary or expedient (including provision amending any enactment or any instrument made under any enactment).

Open-ended investment companies

- 2B (1) Where any profits, gains or losses arising to an open-ended investment company from a creditor relationship in an accounting period are capital profits, gains or losses, those profits, gains or losses must not be brought into account as credits or debits for the purposes of this Chapter, notwithstanding section 84(2)(b) of this Act.

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- (2) For the purposes of this paragraph, capital profits, gains or losses arising from a creditor relationship in an accounting period are such profits, gains or losses arising from a creditor relationship as fall to be dealt with under—
- (a) the heading “net gains/losses on investments during the period”, or
 - (b) the heading “other gains/losses”,
- in the statement of total return for the accounting period.
- (3) For the purposes of sub-paragraph (2) above, the statement of total return for an accounting period is the statement of total return which, in accordance with the Statement of Recommended Practice used for the accounting period, must be included in the accounts contained in the annual report of the open-ended investment company which deals with the accounting period.
- (4) For the purposes of sub-paragraph (3) above, “Statement of Recommended Practice” means—
- (a) in relation to any accounting period for which it is required or permitted to be used, the Statement of Recommended Practice relating to Open-Ended Investment Companies issued by the Financial Services Authority in November 2000, as from time to time modified, amended or revised; or
 - (b) in relation to any accounting period for which it is required or permitted to be used, any subsequent Statement of Recommended Practice relating to open-ended investment companies, as from time to time modified, amended or revised.
- (5) The Treasury may by order amend this paragraph so as to alter the definition of capital profits, gains or losses in consequence of the modification, amendment, revision or replacement of a Statement of Recommended Practice.
- (6) The power to make an order under this paragraph includes power—
- (a) to make different provision for different cases; and
 - (b) to make such consequential, supplementary, incidental or transitional provision, or savings, as appear to the Treasury to be necessary or expedient (including provision amending any enactment or any instrument made under any enactment).”.

Distributing offshore funds

39 For paragraph 3 of that Schedule substitute—

- “3 (1) For the purposes of paragraph 5(1) of Schedule 27 to the Taxes Act 1988 (computation of UK equivalent profit), the assumptions to be made in determining what, for any period, would be the total profits of an offshore fund are to include the assumptions in sub-paragraphs (2) and (3) below.
- (2) The first assumption is that the provisions of this Chapter so far as they relate to the creditor relationships of a company do not apply for the purposes of corporation tax in computing the profits or loss of an offshore fund.

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- (3) The second assumption is that for the purposes of corporation tax the profits and gains, and losses, that are to be taken to arise from the creditor relationships of an offshore fund are to be computed—
- (a) in accordance with the provisions applicable, in the case of unauthorised unit trusts, for the purposes of income tax; and
 - (b) as if the provisions so applicable had effect in relation to an accounting period of an offshore fund as they have effect, in the case of unauthorised unit trusts, in relation to a year of assessment.
- (4) In this paragraph “unauthorised unit trust” means the trustees of any unit trust scheme which is not an authorised unit trust but is a unit trust scheme for the purposes of section 469 of the Taxes Act 1988.”.

Life assurance business

^{F8}40

Textual Amendments

F8 Sch. 25 para. 40 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Adjustments in the case of chargeable assets etc

- 41 (1) In Schedule 15 (loan relationships: savings and transitional provisions) paragraph 11 is amended as follows.
- (2) After sub-paragraph (2) insert—
- “(2A) If, in a case where the continuing loan relationship is a creditor relationship,
- (a) the company acquired its rights under the relationship on or before 31st March 1996 by virtue of an arm’s length transaction,
 - (b) for the accounting period in which it acquired those rights—
 - (i) there was no connection (as defined in sub-paragraph (2C) below) between the company and the person from whom the company acquired the asset, but
 - (ii) there was such a connection between the company and a company standing in the position of a debtor as respects the money debt, and
 - (c) there had been no such connection between the companies mentioned in paragraph (b)(ii) above at any time in the period which—
 - (i) begins 4 years before the date on which the company acquired those rights, and
 - (ii) ends twelve months before that date,
- this paragraph shall have effect as if the amount mentioned in sub-paragraph (2)(b) above were an amount equal to the greater of the amounts mentioned in sub-paragraph (2B) below.

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- (2B) Those amounts are—
- (a) the fair value of the rights at the time when the company ceases to be a party to the loan relationship; and
 - (b) the fair value of the rights on 1st April 1996.
- (2C) For the purposes of sub-paragraph (2A) above there is a connection between a company and another person at any time if at that time—
- (a) the other person is a company and one of the companies has control of the other,
 - (b) the other person is a company and both companies are under the control of the same person, or
 - (c) the company is a close company and the other person is a participator in that company or the associate of a person who is such a participator,
- and there is a connection between a company and another person for an accounting period if there is a connection (within paragraphs (a) to (c) above) between the company and the person at any time in that accounting period.
- (2D) For the purposes of sub-paragraph (2C) above—
- (a) subsections (2) to (6) of section 416 of the Taxes Act 1988 (meaning of control) shall apply as they apply for the purposes of Part 11 of that Act;
 - (b) subject to paragraph (c) below, “participator” and “associate” have the meaning given for the purposes of that Part by section 417 of that Act;
 - (c) a person shall not be regarded as a participator in relation to a company by reason only that he is a loan creditor of the company.”.

Reduction of paragraph 11 credit where s.251(4) of 1992 Act prevents paragraph 8 loss

- 42 In Schedule 15, after paragraph 11 (other adjustments in the case of chargeable assets etc) insert—

“Reduction of paragraph 11 credit where s.251(4) of 1992 Act prevents paragraph 8 loss

- 11A (1) This paragraph applies where, in the case of any asset representing in whole or in part a loan relationship of a company, an amount representing a deemed allowable loss would (apart from this paragraph) fall or have fallen to be brought into account in accordance with paragraph 8(3) above for an accounting period (whenever beginning or ending), but for section 251(4) of the 1992 Act (no allowable loss on disposal of debt acquired from connected person).
- (2) Where this paragraph applies, the amount of any credit falling within sub-paragraph (3) below shall be treated for the purposes of this Chapter as reduced (but not below nil) by the amount described in sub-paragraph (1) above.
- (3) A credit falls within this sub-paragraph if (apart from this paragraph)—

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- (a) the credit falls to be given by virtue of paragraph 11(3)(a) above for an accounting period beginning on or after 1st October 2002; and
- (b) the loan relationship mentioned in paragraph 11(1)(a) above in the case of the credit is the same loan relationship as the one mentioned in sub-paragraph (1) above.”.

PART 2

AMENDMENTS OF OTHER ENACTMENTS

The Taxes Act 1988

Introductory

43 The Taxes Act 1988 is amended as follows.

Incidental costs of obtaining loan finance

44 In section 77(2)(a) (meaning of “qualifying loan” etc) omit sub-paragraph (ii) (interest deductible under section 338 against total profits).

Group relief

45 In section 403ZC (amounts eligible for group relief: non-trading deficit on loan relationships) omit subsection (2) (which refers to a claim under section 83(2) of the Finance Act 1996 (c. 8)).

^{F9}46

Textual Amendments

F9 Sch. 25 para. 46 repealed (with effect in accordance with Sch. 43 Pt. 3(12) Note 1 of the amending Act) by Finance Act 2003 (c. 14), **Sch. 43 Pt. 3(12)**

Building society shares: regulations for deduction of tax

^{F10}47

Textual Amendments

F10 Sch. 25 para. 47 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Building society shares: incidental costs of issuing qualifying shares

^{F11}48

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Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, SCHEDULE 25. (See end of Document for details)

Textual Amendments

- F11** Sch. 25 para. 48 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

European Economic Interest Groupings

- 49 (1) Section 510A is amended as follows.
- (2) In paragraph (b) of subsection (3) (charging tax in respect of gains) for “gains” substitute “chargeable gains”.
- (3) After that paragraph add
- “;but paragraph (a) above is subject to subsection (6A) below.”.
- (4) After subsection (6) (trade or profession carried on by grouping treated for tax on income and gains as carried on by a partnership) insert—
- “(6A) Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships) shall have effect in relation to a grouping as it has effect in relation to a partnership (see in particular section 87A of, and paragraphs 19 and 20 of Schedule 9 to, that Act).”.

Funding bonds issued in respect of interest on certain debts

^{F12}50

Textual Amendments

- F12** Sch. 25 para. 50 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Transfers of income arising from securities

^{F13}51

Textual Amendments

- F13** Sch. 25 para. 51 repealed (with effect in accordance with Sch. 11 Pt. 2(8) Note of the amending Act) by Finance (No. 2) Act 2005 (c. 22), **Sch. 11 Pt. 2(8)**

Treatment of price differential on sale and repurchase of securities

^{F14}52

Textual Amendments

- F14** Sch. 25 para. 52 repealed (19.7.2007) by Finance Act 2007 (c. 11), **Sch. 27 Pt. 2(14)**

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Restriction of relief for payments of interest

F15 53

Textual Amendments

F15 Sch. 25 para. 53 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

Limits on credit: corporation tax

54 In section 797, in subsection (3B) (amounts that must be allocated to trading profits) in paragraph (b) (claims under section 83(2)(d) of the Finance Act 1996) for “a claim under subsection (2)(d) of” substitute “ subsection (3A) of”.

Foreign tax on items giving rise to a non-trading credit

- 55 (1) Section 797A is amended as follows.
- (2) In subsection (5) (which specifies certain amounts under section 83 of the Finance Act 1996 (c. 8) which are to be aggregated for the purposes of subsection (4))—
- (a) in paragraph (a)—
 - (i) for “(2)(b), (c) or (d)” substitute “ (2)(c) ”; and
 - (ii) for the words from “(group relief” to “deficits)” substitute “ (deficit carried back and set against profits) ”;
 - (b) after paragraph (a) insert—
 - “(aa) so much of any non-trading deficit for that period as is surrendered as group relief by virtue of section 403 of the Taxes Act 1988; and”;
- and
- (c) in paragraph (b), for “(3)” substitute “ (3A) ”.
- (3) In subsection (6), for “in pursuance of a claim under section 83(2)(d)” substitute “ under section 83(3A) ”.

Investment trusts

- 56 (1) Section 842 is amended as follows.
- (2) In paragraph (a) of subsection (1) (income must be wholly or mainly eligible investment income)—
- (a) after “the company’s income” insert “ (as determined in accordance with subsection (1AB) below) ”; and
 - (b) after “eligible investment income” insert “ (as so determined) ”.
- (3) In paragraph (e) of subsection (1) (company must not retain more than 15% of eligible investment income)—
- (a) for “more than” substitute “ an amount which is greater than ”; and
 - (b) after “eligible investment income” insert “ (determined in accordance with subsection (1AB) below) ”.
- (4) After subsection (1AA) insert—

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“(1AB) In determining for the purposes of paragraph (a) or (e) of subsection (1) above (and accordingly of subsection (2A)(b) below)—

- (a) the amount of a company’s income, or
- (b) the amount of income which a company derives from shares or securities,

the amounts to be brought into account under Chapter 2 of Part 4 of the Finance Act 1996 in respect of the company’s loan relationships shall be determined without reference to any debtor relationships of the company.”.

Venture capital trusts

^{F16}57

Textual Amendments

F16 Sch. 25 para. 57 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), Sch. 1 para. 421, [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

Change in ownership of investment company

- 58 (1) Schedule 28A is amended as follows.
- (2) In paragraph 6(dc) (amounts in issue for the purposes of section 768B: non-trading deficit carried forward under section 83(3) of the Finance Act 1996 (c. 8)) for “83(3)” substitute “ 83(3A) ”.
 - (3) In paragraph 7(1)(d) (apportionment for section 768B in case of debits falling to be brought into account otherwise than on the assumption that interest does not accrue until paid) omit “and” immediately preceding sub-paragraph (iii) and at the end of that sub-paragraph insert “, and
 - (iv) so falls to be brought into account without any adjustment under paragraph 17 or 18 of that Schedule (debit relating to amount of discount referable to the relevant accounting period to be brought into account instead for the accounting period in which the security is redeemed),”.
 - (4) In paragraph 7(1)(e) (apportionment for section 768B in case of debits falling to be brought into account on the assumption that interest does not accrue until paid) omit “and” immediately preceding sub-paragraph (iii) and at the end of that sub-paragraph insert “, and
 - (iv) so falls to be brought into account with such an adjustment as is mentioned in paragraph (d)(iv) above,”.
 - (5) Omit paragraph 7(2) (which relates to charges consisting of interest and which accordingly has no further application).
 - (6) In paragraph 11(1) (debts that fall within paragraph 11)—
 - ^{F17}(a)
 - (b) in paragraph (c) (accounting period in which the debit would have been brought into account, apart from the sub-paragraph mentioned in

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paragraph (b)) for “apart from that sub-paragraph” substitute “ apart from paragraphs 2(2), 17 and 18 of that Schedule, ”.

(7) In paragraph 13(1)(ec) (amounts in issue for the purposes of section 768C: non-trading deficit carried forward under section 83(3) of the Finance Act 1996 (c. 8)) for “83(3)” substitute “ 83(3A) ”.

(8) In paragraph 16(1)(d) (manner of apportionment in case of debits falling to be brought into account otherwise than on the assumption that interest does not accrue until paid) omit “and” immediately preceding sub-paragraph (iii) and at the end of that sub-paragraph insert “, and

(iv) so falls to be brought into account without any adjustment under paragraph 17 or 18 of that Schedule (debit relating to amount of discount referable to the relevant accounting period to be brought into account instead for the accounting period in which the security is redeemed),”.

^{F18}(9)

(10) Omit paragraph 16(2) (which relates to charges consisting of interest and which accordingly has no further application).

Textual Amendments

F17 Sch. 25 para. 58(6)(a) repealed (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendment of Enactments\) Order 2004 \(S.I. 2004/2310\)](#), art. 1(2), **Sch. para. 66(2)**

F18 Sch. 25 para. 58(9) repealed (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendment of Enactments\) Order 2004 \(S.I. 2004/2310\)](#), art. 1(2), **Sch. para. 66(3)**

The Finance Act 1988

Commercial woodlands

- 59 (1) Schedule 6 to the Finance Act 1988 (c. 39) is amended as follows.
- (2) In consequence of Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships) in paragraph 3 (abolition of Schedule D election etc) omit—
- (a) sub-paragraphs (3)(a), (4)(a) and (5)(a) and (b);
 - (b) in sub-paragraph (5), in the words following paragraph (c), the word “group”; and
 - (c) sub-paragraph (6).

The Taxation of Chargeable Gains Act 1992

Interest charged to capital

- 60 (1) Section 40 of the Taxation of Chargeable Gains Act 1992 (c. 12) is amended as follows.
- (2) After subsection (3) add—

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“(4) In consequence of Chapter 2 of Part 4 of the Finance Act 1996 (c. 8) (loan relationships) this section does not have effect in relation to interest referable to an accounting period ending on or after 1st April 1996.”.

PART 3

TRANSITIONAL PROVISIONS

Interpretation

^{F19}61

Textual Amendments

F19 Sch. 25 paras. 61-64 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 542, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Non-trading deficit carried forward from last old accounting period

^{F19}61A

Textual Amendments

F19 Sch. 25 paras. 61-64 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 542, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Discounted securities where companies have a connection

^{F19}62

Textual Amendments

F19 Sch. 25 paras. 61-64 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 542, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Discounted securities of close companies

^{F19}63

Textual Amendments

F19 Sch. 25 paras. 61-64 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 542, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Authorised unit trusts and open-ended investment companies

^{F19}64

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, SCHEDULE 25. (See end of Document for details)

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Textual Amendments

F19 Sch. 25 paras. 61-64 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 542, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Status:

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Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2002, SCHEDULE 25.