
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2005, Cross Heading: Capital redemption policies: removal of exclusion from loan relationships computations. (See end of Document for details)

SCHEDULES

SCHEDULE 7

AVOIDANCE INVOLVING FINANCIAL ARRANGEMENTS

Capital redemption policies: removal of exclusion from loan relationships computations

- 14 (1) Schedule 9 to FA 1996 (loan relationships: special computational provisions) is amended as follows.
- (2) In paragraph 1A(1) (credits and debits relating to life policies and capital redemption policies not to be brought into account) paragraph (b) (capital redemption policies) shall cease to have effect.
- (3) This paragraph has effect in relation to a capital redemption policy on and after 10th February 2005 (whenever the capital redemption policy was effected).
- (4) Where a capital redemption policy—
- (a) is held by a company immediately before 10th February 2005, and
 - (b) on or after that date, is, for the purposes of Chapter 2 of Part 4 of FA 1996 [^{F1}or Part 5 of CTA 2009], a creditor relationship of the company,
- sub-paragraphs (5) and (6) apply.
- (5) In any such case, Chapter 2 of Part 13 of ICTA (life policies etc: chargeable events) shall have effect as if—
- (a) immediately before 10th February 2005, the company had assigned the whole of the rights conferred by the policy for money or money's worth, and
 - (b) the value of the consideration for the assignment had been equal to what the carrying value of the creditor relationship would have been had an accounting period of the company ended on that date;
- and Chapter 2 of Part 4 of FA 1996 [^{F2}and Part 5 of CTA 2009] shall have effect as if, immediately after 9th February 2005, the company had acquired the creditor relationship at a cost equal to that carrying value.
- (6) But if—
- (a) the accounting period in which the assignment is deemed to have happened (“the assignment period”), and
 - (b) the accounting period in which the company ceases to be party to the creditor relationship (“the cessation period”),
- are not the same accounting period, any gain which, by virtue of the deemed assignment, would have fallen to be brought into account in accordance with section 547(1)(b) of ICTA for the assignment period shall instead be brought into account for the cessation period.
- (7) In this paragraph—
- “assignment”, in relation to Scotland, means an assignation;

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“carrying value” has the same meaning as it has for the purposes of paragraph 19A of Schedule 9 to FA 1996, as it has effect for periods of account beginning on or after 1st January 2005.

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Textual Amendments

- F1** Words in Sch. 7 para. 14(4)(b) inserted (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. 674\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F2** Words in Sch. 7 para. 14(5) inserted (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. 674\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))

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