

*These notes refer to the Corporation Tax Act 2009
(c.4) which received Royal Assent on 26 March 2009*

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 6: Relationships treated as loan relationships etc

Overview

Chapter 8: Returns from partnerships

Overview

1436. This Chapter deals with arrangements involving firms that are intended to give rise to interest-like returns. It brings into the loan relationship provisions those arrangements that function in a similar way to loan relationships but which fall outside the definition. It is based on sections 91H and 91I of FA 1996 (inserted by paragraph 17 of Schedule 22 to FA 2008).

Section 536: Introduction to Chapter

1437. This section sets out what the Chapter does and how it is arranged. It is based on sections 91H(1), (2) and (6), and 91I(1), (2) and (7) of FA 1996.

Section 537: Payments in return for capital contribution to partnership

1438. This section deals with arrangements under which a company obtains a return by acquiring an interest in a firm for an amount which will increase in value in a similar way to interest. It is based on section 91H(1) to (4) of FA 1996.

1439. In accordance with the Partnership Act 1890, in this Act reference to the relationship between the partners is a “partnership”, but the collection of partners is a “firm”.

Section 538: Change of partnership shares

1440. This section deals with arrangements under which a company invests money in a firm in the form of capital contributions, initially receiving a share of the firm’s profits that is smaller than would be received by reference to that contribution but with a compensating greater entitlement to capital of the firm later on. It is based on section 91I(1) to (5) of FA 1996.