



Corporation Tax Act 2009

2009 CHAPTER 4

PART 5

LOAN RELATIONSHIPS

CHAPTER 15

TAX AVOIDANCE

Introduction

440 Overview of Chapter

- (1) This Chapter contains rules connected with tax avoidance.
- (2) In particular—
 - (a) for rules about unallowable purposes and tax relief schemes and arrangements, see sections 441 to 443,
 - (b) for rules relating to credits and debits where transactions are not at arm's length (other than credits and debits relating to exchange gains and losses), see sections 444 to 446,
 - (c) for rules relating to credits and debits relating to exchange gains and losses where transactions are not at arm's length, see sections 447 to 452,
 - (d) for rules about connected parties deriving benefit from creditor relationships, see section 453,
 - (e) for rules dealing with tax advantages from resetting interest rates, see section 454,^{F1}...
 - (f) for rules dealing with disposals of rights under creditor relationships for consideration not fully recognised for accounting purposes, see section 455.^{F2}, and
 - (g) for rules about debits arising as a result of the derecognition of creditor relationships, see section 455A.]

Status: Point in time view as at 17/07/2013.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)

Textual Amendments

- F1** Word in s. 440(2)(e) omitted (19.7.2011) (with effect in accordance with Sch. 4 para. 13 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 4 para. 4](#)
- F2** S. 440(2)(g) and word inserted (19.7.2011) (with effect in accordance with Sch. 4 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 4 para. 4](#)

Unallowable purposes and tax relief schemes

441 Loan relationships for unallowable purposes

- (1) This section applies if in any accounting period a loan relationship of a company has an unallowable purpose.
- (2) The company may not bring into account for that period for the purposes of this Part so much of any credit in respect of exchange gains from that relationship as on a just and reasonable apportionment is attributable to the unallowable purpose.
- (3) The company may not bring into account for that period for the purposes of this Part so much of any debit in respect of that relationship as on a just and reasonable apportionment is attributable to the unallowable purpose.
- (4) An amount which would be brought into account for the purposes of this Part as respects any matter apart from this section is treated for the purposes of section 464(1) (amounts brought into account under this Part excluded from being otherwise brought into account) as if it were so brought into account.
- (5) Accordingly, that amount is not to be brought into account for corporation tax purposes as respects that matter either under this Part or otherwise.
- (6) For the meaning of “has an unallowable purpose” and “the unallowable purpose” in this section, see section 442.

Modifications etc. (not altering text)

- C1** S. 441 excluded by 2010 c. 4, s. 938N (as inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 5 para. 2](#))
- C2** S. 441 excluded by 2010 c. 4, s. 938V(a) (as inserted (with effect in accordance with Sch. 20 para. 6 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 20 para. 3](#))

442 Meaning of “unallowable purpose”

- (1) For the purposes of section 441 a loan relationship of a company has an unallowable purpose in an accounting period if, at times during that period, the purposes for which the company—
 - (a) is a party to the relationship, or
 - (b) enters into transactions which are related transactions by reference to it,
 include a purpose (“the unallowable purpose”) which is not amongst the business or other commercial purposes of the company.

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- (2) If a company is not within the charge to corporation tax in respect of a part of its activities, for the purposes of this section the business and other commercial purposes of the company do not include the purposes of that part.
- (3) Subsection (4) applies if a tax avoidance purpose is one of the purposes for which a company—
 - (a) is a party to a loan relationship at any time, or
 - (b) enters into a transaction which is a related transaction by reference to a loan relationship of the company.
- (4) For the purposes of subsection (1) the tax avoidance purpose is only regarded as a business or other commercial purpose of the company if it is not—
 - (a) the main purpose for which the company is a party to the loan relationship or, as the case may be, enters into the related transaction, or
 - (b) one of the main purposes for which it is or does so.
- (5) The references in subsections (3) and (4) to a tax avoidance purpose are references to any purpose which consists of securing a tax advantage for the company or any other person.

443 Restriction of relief for interest where tax relief schemes involved

- (1) A company may not bring a debit into account for the purposes of this Part in respect of interest if a tax relief scheme has been effected or tax relief arrangements have been made in relation to the transaction as a result of which the interest would be taken into account.
- (2) Subsection (1) applies whether the tax relief scheme is effected or the tax relief arrangements are made before or after the transaction.
- (3) A scheme is a tax relief scheme in relation to a transaction for the purposes of subsection (1) if it is such that the sole or main benefit that might be expected to accrue to the company from the transaction is the obtaining of a reduction in tax liability by bringing the debit into account.
- (4) Arrangements are tax relief arrangements in relation to a transaction for the purposes of subsection (1) if they are such that the sole or main benefit which might be expected to accrue to the company from the transaction is the obtaining of a reduction in tax liability by bringing the debit into account.
- (5) Subsection (6) applies if relief is claimed [^{F3}under Chapter 4 of Part 5 of CTA 2010 (claims for group relief)]—
 - (a) in respect of trading losses in a case where, in calculating those losses, debits in respect of loan relationships are treated under section 297(3) as expenses of the trade, or
 - (b) in respect of a deficit to which Chapter 16 (non-trading deficits) applies.
- (6) Any question arising under this section as to what benefit might be expected to accrue from a transaction is to be determined by reference to the claimant company and the surrendering company taken together.
- (7) In this section “the claimant company” and “the surrendering company” have the same meaning as in [^{F4}Part 5 of CTA 2010].

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Textual Amendments

- F3** Words in s. 443(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 616\(2\)](#) (with [Sch. 2](#))
- F4** Words in s. 443(7) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 616\(3\)](#) (with [Sch. 2](#))

Transactions not at arm's length: general

444 Transactions not at arm's length: general

- (1) If—
- (a) credits or debits in respect of a loan relationship of a company are to be brought into account for the purposes of this Part in respect of a related transaction, and
 - (b) that transaction is not a transaction at arm's length,
- those credits or debits are to be determined for the purposes of this Part in accordance with the independent terms assumption.
- (2) The independent terms assumption is that the transaction was entered into on the terms on which it would have been entered into between knowledgeable and willing parties dealing at arm's length.
- (3) This section is subject to section 445 (disapplication of this section where [^{F5}Part 4 of TIOPA 2010] applies).
- (4) Subsection (1) does not apply to debits arising from the acquisition of rights under a loan relationship if those rights are acquired for less than market value.
- (5) In a case where the related transaction is a transaction within section 336(2) or part of a series of transactions within 336(3) (group transactions), subsection (1) does not apply if—
- (a) section 340 (group transfers and transfers of insurance business: transfer at notional carrying value) applies as a result of that transaction or, as the case may be, that series of transactions, or
 - (b) section 340 would so apply apart from section 341 (transferor using fair value accounting).
- (6) Subsection (1) does not apply to exchange gains or losses (but see sections 447 to 452).

Textual Amendments

- F5** Words in s. 444(3) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 132](#) (with [Sch. 9 paras. 1-9, 22](#))

445 Disapplication of section 444 where [^{F6}Part 4 of TIOPA 2010] applies

- (1) Section 444 does not apply, and [^{F7}Part 4 of TIOPA 2010] (provision not at arm's length) applies instead, to credits or debits in respect of amounts which—
- (a) fall to be adjusted for tax purposes under [^{F8}that Part], or

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- (b) are within [^{F8}that Part] without falling to be so adjusted (see subsection (3)).
- (2) Subsection (1) applies despite section 464 (amounts brought into account under this Part excluded from being otherwise brought into account), but is subject to—
- (a) section 340(7) (disapplication of [^{F9}Part 4 of TIOPA 2010] where group member replaces another as party to loan), and
- (b) section 447(5) (disapplication of [^{F10}that Part] for exchange gains and losses).
- (3) For the purposes of subsection (1), an amount is within [^{F11}Part 4 of TIOPA 2010] without falling to be adjusted under it in a case where—
- [^{F12}(a) the condition in section 147(1)(a) of TIOPA 2010 is met,
- (aa) the participation condition is met (see subsection (3A)), and]
- (b) the actual provision does not differ from the arm's length provision.
- [^{F13}(3A) Section 148 of TIOPA 2010 (when the participation condition is met) applies for the purposes of subsection (3)(aa) as it applies for the purposes of section 147(1)(b) of TIOPA 2010.]
- (4) For the way in which this Part applies where adjustments are made under [^{F14}Part 4 of TIOPA 2010,] see section 446.
- (5) In this section “the actual provision” and “the arm's length provision” have the same meaning as in [^{F15}Part 4 of TIOPA 2010 (see sections 149 and 151 of that Act)].

Textual Amendments

- F6** Words in s. 445 title substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(11\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F7** Words in s. 445(1) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(2\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F8** Words in s. 445(1)(a)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(3\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F9** Words in s. 445(2)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(4\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F10** Words in s. 445(2)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(5\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F11** Words in s. 445(3) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(6\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F12** S. 445(3)(a)(aa) substituted for s. 445(3)(a) (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(7\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F13** S. 445(3A) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(8\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F14** Words in s. 445(4) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 133\(9\)](#) (with [Sch. 9 paras. 1-9, 22](#))

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F15 Words in s. 445(5) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 133(10)** (with Sch. 9 paras. 1-9, 22)

446 Bringing into account adjustments made under ^{F16}Part 4 of TIOPA 2010]

- (1) This section deals with the credits and debits which are to be brought into account for the purposes of this Part as a result of ^{F17}Part 4 of TIOPA 2010] (provision not at arm's length) applying in relation to a company's loan relationships or related transactions.
- (2) Subsection (3) applies if under ^{F18}Part 4 of TIOPA 2010] an amount (“the imputed amount”) is treated as an amount of profits or losses arising to a company from any of its loan relationships or related transactions.
- (3) Credits or debits relating to the imputed amount are to be brought into account for the purposes of this Part to the same extent as they would be in the case of an actual amount of such profits or losses.
- (4) Subsection (5) applies if under ^{F19}Part 4 of TIOPA 2010] an amount is treated as interest payable under any of a company's loan relationships.
- (5) Credits or debits relating to that amount are to be brought into account for the purposes of this Part to the same extent as they would be in the case of an actual amount of such interest.
- (6) Subsection (7) applies if under ^{F20}Part 4 of TIOPA 2010] an amount is treated as expenses incurred by a company under or for the purposes of any of its loan relationships or related transactions.
- (7) Debits relating to the amount are to be brought into account for the purposes of this Part to the same extent as they would be in the case of an actual amount of such expenses.

Textual Amendments

- F16** Words in s. 446 title substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 134(2)** (with Sch. 9 paras. 1-9, 22)
- F17** Words in s. 446(1) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 134(2)** (with Sch. 9 paras. 1-9, 22)
- F18** Words in s. 446(2) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 134(2)** (with Sch. 9 paras. 1-9, 22)
- F19** Words in s. 446(4) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 134(2)** (with Sch. 9 paras. 1-9, 22)
- F20** Words in s. 446(6) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 134(2)** (with Sch. 9 paras. 1-9, 22)

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

447 Exchange gains and losses on debtor relationships: loans disregarded under [F21Part 4 of TIOPA 2010]

- (1) Subsections (2) and (3) apply if—
 - (a) a company has a debtor relationship in an accounting period,
 - (b) an exchange gain or loss arises in the period in respect of a liability representing the relationship, and
 - (c) as a result of [F22section 147(3) or (5) of TIOPA 2010] (provision not at arm's length) the profits and losses of the company are calculated for tax purposes for the period as if—
 - (i) the loan had not been made, or
 - (ii) part of the loan had not been made.
- (2) In a case where subsection (1)(c)(i) applies, the exchange gain or loss must be left out of account in determining the credits or debits to be brought into account for the purposes of this Part.
- (3) In a case where subsection (1)(c)(ii) applies, a proportion of the exchange gain or loss must be left out of account in determining those credits or debits.
- (4) That proportion is the proportion that the part of the loan that is treated as if it had not been made bears to the whole of the loan.
- (5) Nothing in [F23Part 4 of TIOPA 2010] requires the amounts brought into account under this Part in respect of exchange gains or losses from loan relationships to be calculated on the assumption that the arm's length provision had been made instead of the actual provision.
- (6) But subsection (5) does not affect the application of subsections (2) and (3) under subsection (1).
- (7) In this section “the arm's length provision” and “the actual provision” have the same meaning as in [F24Part 4 of TIOPA 2010 (see sections 149 and 151 of that Act)].

Textual Amendments

- F21** Words in s. 447 title substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 135\(5\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F22** Words in s. 447(1)(c) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 135\(2\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F23** Words in s. 447(5) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 135\(3\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F24** Words in s. 447(7) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 135\(4\)](#) (with [Sch. 9 paras. 1-9, 22](#))

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448 Exchange gains and losses on debtor relationships: equity notes where holder associated with issuer

- (1) This section applies if—
- (a) a company has a debtor relationship in an accounting period,
 - (b) an exchange gain or loss arises in the period in respect of a liability representing the relationship, and
 - (c) the whole of any interest or other distribution out of the assets of the company in respect of securities of the company which represent the relationship is regarded as a distribution because of ^{F25}section 1015(6) of CTA 2010] (equity notes held by company associated with issuer or by a funded company).
- (2) The exchange gain or loss must be left out of account in determining the credits or debits to be brought into account for the purposes of this Part.

Textual Amendments

F25 Words in s. 448(1)(c) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 617** (with **Sch. 2**)

449 Exchange gains and losses on creditor relationships: no corresponding debtor relationship

- (1) This section applies if—
- (a) a company has a creditor relationship in an accounting period, and
 - (b) an exchange gain or loss arises in the period in respect of an asset representing the relationship.
- (2) The exchange gain or loss must be left out of account in determining the credits or debits to be brought into account for the purposes of this Part if conditions A and B are met.
- (3) Condition A is that the transaction giving rise to the loan is such that it would not have been entered into at all if the parties had been dealing at arm's length.
- (4) Condition B is that there is no corresponding debtor relationship.
- (5) For the meaning of “corresponding debtor relationship”, see section 450.
- (6) This section is subject to section 451 (exception to this section where loan exceeds arm's length amount).

450 Meaning of “corresponding debtor relationship”

- (1) In section 449 “corresponding debtor relationship” means a debtor relationship which—
- (a) corresponds to the creditor relationship mentioned in section 449(1), and
 - (b) is of such a kind that conditions A and B are met.
- (2) Condition A is that such credits as are mentioned in subsection (3) would fall to be brought into account for the purposes of this Part in respect of exchange gains from that debtor relationship.

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- (3) Those credits are credits corresponding to, and of the same amount as, the debits that would fall to be so brought into account in respect of exchange losses from the creditor relationship apart from section 449.
- (4) Condition B is that such debits as are mentioned in subsection (5) would fall to be so brought into account in respect of exchange losses from that debtor relationship.
- (5) Those debits are debits corresponding to, and of the same amount as, the credits that would fall to be so brought into account in respect of exchange gains from the creditor relationship apart from section 449.
- (6) In determining for the purposes of this section whether credits or debits would fall to be so brought into account, section 328(2) to (7) (as a result of which some exchange gains and losses are excluded from this Part) is ignored.

451 Exception to section 449 where loan exceeds arm's length amount

- (1) Section 449 does not apply if the circumstances are such that, had the parties to the relevant transaction been dealing at arm's length, the amount of the loan would have been an amount (“the arm's length amount”) greater than nil, but less than its actual amount.
- (2) Accordingly, an exchange gain or loss which arises in the accounting period in respect of an asset representing the creditor relationship is not required by that section to be left out of account.
- (3) But if—
 - (a) the circumstances are as mentioned in subsection (1), and
 - (b) there is no corresponding debtor relationship,only a proportion of the exchange gain or loss may be taken into account in determining the credits or debits to be brought into account for the purposes of this Part.
- (4) That proportion is the proportion which the arm's length amount bears to the actual amount of the loan.
- (5) In this section—

“corresponding debtor relationship” has the same meaning as in section 449 (see section 450), and

“the relevant transaction” means the transaction giving rise to the loan as a result of which the company has the creditor relationship in the accounting period in question.

452 Exchange gains and losses where loan not on arm's length terms

- (1) This subsection applies if—
 - (a) a company would be treated as having a debtor relationship in an accounting period if a claim were made under [^{F26}section 192(1) of TIOPA 2010] in relation to that period, and
 - (b) for that period there is a connection between that company and the company that would have the corresponding creditor relationship.

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- (2) If subsection (1) applies, it is assumed that such a claim is made for the purpose of determining the debits or credits to be brought into account for the purposes of this Part in respect of any exchange gains or losses arising in that period in respect of the liability representing that debtor relationship.
- (3) Subsections (4) and (5) apply if—
- (a) because of a claim made under [^{F27}section 192(1) of TIOPA 2010] more than one company is treated for any purpose as having a debtor relationship represented by the same liability, or
 - (b) because of the claim that is assumed to be made under subsection (2) more than one company is so treated.
- (4) The total amount of the credits brought into account for the purposes of this Part in respect of exchange gains from those debtor relationships must not exceed the total amount of the debits brought into account for those purposes in respect of exchange losses from the corresponding creditor relationship.
- (5) The total amount of the debits brought into account for those purposes in respect of exchange losses from those debtor relationships must not exceed the total amount of the credits brought into account for those purposes in respect of exchange gains from the corresponding creditor relationship.
- (6) Section 466 (companies connected for an accounting period) applies for the purposes of this section.

Textual Amendments

- F26** Words in s. 452(1)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 136](#) (with [Sch. 9 paras. 1-9, 22](#))
- F27** Words in s. 452(3)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 136](#) (with [Sch. 9 paras. 1-9, 22](#))

Connected parties deriving benefit from creditor relationships

^{F28}**453 Connected parties deriving benefit from creditor relationships**

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Textual Amendments

- F28** S. 453 omitted (19.7.2011) (with effect in accordance with [Sch. 5 para. 8\(2\)\(3\)](#) of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), Sch. 5 para. 8\(1\)](#)

Tax advantages from resetting interest rates (“reset bonds”)

454 Application of fair value accounting: reset bonds etc

- (1) This section applies if—

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- (a) a company has a creditor relationship,
 - (b) the object, or one of the main objects, of the company entering into or becoming a party to the relationship was the securing of a tax advantage, and
 - (c) conditions A and B are met in relation to an asset representing the relationship.
- (2) Condition A is that there is or has at any time been a change in—
- (a) the rate of interest payable in the case of the asset,
 - (b) the amount payable to discharge the debt,
 - (c) the time at which any payments of interest under the asset fall due, or
 - (d) the time at which any other payments under the asset fall due.
- (3) Condition B is that the difference between—
- (a) the fair value of the asset immediately after the change, and
 - (b) the issue price of the asset,
- is equal to at least 5% of the issue price of the asset.
- (4) On and after the day on which conditions A and B become met in relation to an asset the credits and debits to be brought into account for the purposes of this Part as respects the loan relationship are to be determined using fair value accounting.
- (5) In determining the fair value of an asset for any purpose of this section, it is assumed that all amounts payable by the debtor will be paid in full as they fall due.
- (6) For the purposes of subsection (1)(b), it does not matter for whom the advantage is secured.

Disposals for consideration not fully recognised by accounting practice

455 Disposals for consideration not fully recognised by accounting practice

- (1) This section applies if in any accounting period (“the relevant accounting period”) a company with the relevant avoidance intention disposes of rights under a creditor relationship wholly or partly for consideration which—
- (a) is not wholly in the form of money or a debt which falls to be settled by the payment of money, and
 - (b) is not fully recognised.
- (2) The relevant avoidance intention is the intention of eliminating or reducing the credits to be brought into account for the purposes of this Part.
- (3) Consideration is not fully recognised if, as a result of the application of generally accepted accounting practice, the full amount or value of the consideration is not recognised in determining the company's profit or loss for the relevant accounting period or any other accounting period.
- (4) In determining the credits which the company must bring into account for the relevant accounting period for the purposes of this Part, it is assumed that the whole of the consideration is recognised in determining the company's profit or loss for that period.
- (5) But this section does not apply if [^{F29}section 147(3) or (5) of TIOPA 2010] (provision not at arm's length) operates in relation to the disposal so as to increase the tax liability of the company.

Status: Point in time view as at 17/07/2013.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)

Textual Amendments

- F29** Words in s. 455(5) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 137](#) (with [Sch. 9 paras. 1-9, 22](#))

[^{F30}Derecognition

Textual Amendments

- F30** S. 455A and cross-heading inserted (19.7.2011) (with effect in accordance with Sch. 4 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 4 para. 5](#)

455A Debits arising from derecognition of creditor relationships

- (1) This section applies where—
 - (a) a company is at any time a party to tax avoidance arrangements,
 - (b) as a result of those arrangements, a creditor relationship to which the company is party, or any part of such a relationship, is (in accordance with generally accepted accounting practice) derecognised by the company, and
 - (c) the company continues to be a party to the creditor relationship immediately after the transaction or other event giving rise to the derecognition.
- (2) No debit that would apart from this section be brought into account by the company for the purposes of this Part as a result of the derecognition is to be so brought into account.
- (3) An amount that would be brought into account for the purposes of this Part as respects any matter apart from this section—
 - (a) is treated for the purposes of section 464(1) (priority of this Part for corporation tax purposes) as if it were so brought into account, and
 - (b) accordingly, may not be brought into account for any other corporation tax purposes as respects that matter.
- (4) For the purposes of this section a company is to be treated as a party to a creditor relationship even though it has disposed of its rights under the relationship to another person—
 - (a) under a repo or stock lending arrangement, or
 - (b) under a transaction which is treated as not involving any disposal as a result of section 26 of TCGA 1992 (mortgages and charges not to be treated as disposals).
- (5) For the purposes of this section arrangements are “tax avoidance arrangements” if the main purpose, or one of the main purposes, of any party to the arrangements, in entering into them, is to obtain a tax advantage.
- (6) In subsection (5) “arrangements” includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions.]

Status:

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Changes to legislation:

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