



# Corporation Tax Act 2009

## 2009 CHAPTER 4

### PART 6

#### RELATIONSHIPS TREATED AS LOAN RELATIONSHIPS ETC

### CHAPTER 6

#### ALTERNATIVE FINANCE ARRANGEMENTS

##### *Treatment for other tax purposes*

#### **514 Exclusion of alternative finance return from consideration for sale of assets**

- (1) If under purchase and resale arrangements an asset is sold by one party to the arrangements to the other party, the alternative finance return is excluded in determining the consideration for the sale and purchase of the asset for the purposes of the Corporation Tax Acts (apart from section 503).
- (2) If under diminishing shared ownership arrangements an asset is sold by one party to the arrangements to the other party, the alternative finance return is excluded in determining the consideration for the sale and purchase of the asset for the purposes of the Corporation Tax Acts (apart from section 504).
- (3) If under investment bond arrangements an asset is sold by one party to the arrangements to the other party, the alternative finance return is excluded in determining the consideration for the sale and purchase of the asset for the purposes of the Corporation Tax Acts (apart from section 507).
- (4) Subsections (1) to (3) do not affect the operation of any provision of the Corporation Tax Acts which provides that the consideration for a sale or purchase is taken for any purpose to be an amount other than the actual consideration.

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*Status: This is the original version (as it was originally enacted).*

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### **515 Diminishing shared ownership arrangements not partnerships**

Diminishing shared ownership arrangements are not treated as a partnership for the purposes of the Corporation Tax Acts.

### **516 Treatment of principal under profit sharing agency arrangements**

- (1) The principal under profit sharing agency arrangements is not treated for the purposes of the Corporation Tax Acts as entitled to profits to which the agent is entitled in accordance with section 506(1)(d).
- (2) And the agent under such arrangements is treated for those purposes as entitled to those profits and the profits specified in section 506(1)(c).
- (3) In this section “the principal” and “the agent” are to be read in accordance with section 506.

### **517 Treatment of bond-holder under investment bond arrangements**

- (1) This section applies for the purposes of the Corporation Tax Acts and irrespective of the position for other purposes.
- (2) The bond-holder under investment bond arrangements is not treated as having a legal or beneficial interest in the bond assets.
- (3) The bond-issuer under such arrangements is not treated as a trustee of the bond assets.
- (4) Profits accruing to the bond-issuer in connection with the bond assets are profits of the bond-issuer and not of the bond-holder (and do not arise to the bond-issuer in a fiduciary or representative capacity).
- (5) Payments made by the bond-issuer by way of redemption payment or additional payment are not made in a fiduciary or representative capacity.
- (6) The bond-holder is not entitled to relief for capital expenditure in connection with the bond assets.
- (7) Expressions used in this section have the same meaning as in section 507.

### **518 Investment bond arrangements: treatment as securities**

- (1) Investment bond arrangements are securities for the purposes of the Corporation Tax Acts.
- (2) For those purposes—
  - (a) a reference in an enactment to redemption is to be taken as a reference to making the redemption payment, and
  - (b) a reference in an enactment to interest is to be taken as a reference to alternative finance return.
- (3) In subsection (2) “the redemption payment” has the same meaning as in section 507 (see subsection (1)(d)(ii) of that section).

### **519 Investment bond arrangements: other provisions**

- (1) A bond-issuer is not a securitisation company for the purposes of section 83 of FA 2005 (application of accounting standards to securitisation companies) unless it is one as a result of arrangements which are not investment bond arrangements.
- (2) For the purposes of section 417 of ICTA (close companies)—
  - (a) a bond-holder is a loan creditor in respect of the bond-issuer, and
  - (b) investment bond arrangements must be ignored in the application of section 417(1)(d) of that Act.
- (3) For the purposes of Schedule 18 to ICTA (group relief)—
  - (a) a bond-holder is a loan creditor in respect of the bond-issuer, and
  - (b) paragraph 1(5)(b) of that Schedule must be ignored in determining whether a person is an equity holder as a result of investment bond arrangements.

### **520 Provision not at arm's length: non-deductibility of relevant return**

- (1) This section applies if arrangements to which section 508 (provision not at arm's length: exclusion of arrangements from sections 503 to 507) applies would, but for that section, be alternative finance arrangements.
- (2) A company paying relevant return under the arrangements is not entitled to—
  - (a) any deduction in calculating profits or gains for corporation tax purposes, or
  - (b) any deduction against total profits,in respect of the relevant return.
- (3) In this section “relevant return” has the same meaning as in section 508 (see subsection (3) of that section).