



Corporation Tax Act 2009

2009 CHAPTER 4

PART 6

RELATIONSHIPS TREATED AS LOAN RELATIONSHIPS ETC

CHAPTER 9

MANUFACTURED INTEREST ETC

539 Introduction to Chapter

- (1) This Chapter deals with the application of Part 5 to manufactured interest relationships and payments representative of interest.
- (2) For the purposes of the Corporation Tax Acts a company has a manufactured interest relationship if conditions A and B are met.
- (3) Condition A is that—
 - (a) an amount is payable by or on behalf of the company or to the company under any arrangements, and
 - (b) the arrangements relate to the transfer of an asset representing a loan relationship.
- (4) Condition B is that the amount—
 - (a) is representative of interest under the loan relationship, or
 - (b) will fall to be treated as representative of such interest when it is paid.
- (5) In this Chapter—
 - “manufactured interest”, in relation to a manufactured interest relationship, means an amount within subsection (3)(a), and
 - “the real interest” means the interest mentioned in subsection (4)(a).
- (6) References in the Corporation Tax Acts to a company being a party to a manufactured interest relationship are to be read in accordance with this section.

- (7) For cases where a payment representative of interest is treated as having been made for the purposes of this Chapter, see section 736B(2) of ICTA (deemed manufactured payments in the case of stock lending arrangements).

540 Manufactured interest treated as interest under loan relationship

- (1) If a company has a manufactured interest relationship under which manufactured interest is payable by it, Part 5 applies to the company and the manufactured interest as it would if the manufactured interest were interest payable on a loan to the company (and so were interest under a loan relationship to which the company is a party).
- (2) If a company has a manufactured interest relationship under which manufactured interest is payable to it, Part 5 applies to the company and the manufactured interest as it would if—
- (a) the manufactured interest were interest payable on a loan by the company (and so were interest under a loan relationship to which the company is a party), and
 - (b) the manufactured interest relationship were the loan relationship under which the real interest is payable.
- (3) Accordingly, subject to subsection (2)(b), references in the Corporation Tax Acts to a loan relationship include a reference to a manufactured interest relationship.
- (4) Subsection (5) applies if a company—
- (a) has a manufactured interest relationship, but
 - (b) enters into a related transaction in respect of the right to receive manufactured interest as a result of which the manufactured interest is not payable to the company.
- (5) Even though the manufactured interest is not payable to the company, for the purpose of bringing credits into account in respect of that or any other related transaction because of the application of subsection (2), the company is still treated as having a manufactured interest relationship.
- (6) This section is subject to Chapter 10 (repos).

541 Debits for deemed interest under stock lending arrangements disallowed

- (1) This section applies if a company is the borrower under a stock lending arrangement for the purposes of section 736B(2) of ICTA (which treats such a borrower as having made a payment representative of interest for the purposes of this Chapter).
- (2) In accordance with section 736B(2A) of that Act (which prevents deductions or group relief for the borrower in stock lending cases), the company may not bring debits into account for the purposes of Part 5 in respect of the representative payment which is treated as having been made under section 736B(2) of that Act.