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## SCHEDULES

### SCHEDULE 2

#### TRANSITIONALS AND SAVINGS

#### PART 8

##### LOAN RELATIONSHIPS

###### *Interpretation*

- 53 Except as provided in this Part of this Schedule, expressions used in this Part of this Schedule and in Part 5 of this Act have the same meaning as in Part 5.

###### *Opening and closing values determined under Schedule 15 to the Finance Act 1996*

- 54 So far as immediately before the commencement of this Act any opening value or closing value is to be determined by reference to Schedule 15 to FA 1996 (loan relationships: savings and transitional provisions), the determination of that value is not affected by the repeal by this Act of any provision in that Schedule or any provision affecting such a provision.

###### *References to Part 5 to include Schedule 15 to FA 1996*

- 55 Except where the context indicates otherwise, references to Part 5 of this Act in any enactment other than Schedule 15 to FA 1996 include references to that Schedule.

###### *Exemption for interest on tax overpaid for accounting periods ending before 1 July 1999*

- 56 No liability to corporation tax arises in respect of interest paid under section 826(1) of ICTA (interest on tax overpaid) if the accounting period mentioned in the paragraph of that section as a result of which it is paid ends before 1 July 1999.

###### *Regulations under section 81 of FA 2002*

- 57 The repeal by this Act of any provision in Schedule 23 to FA 2002 (transitional provision) does not affect the power in section 81 of that Act so far as relating to that provision.

###### *Continuity on transfers: transferees becoming party to loan relationship before 9 April 2003*

- 58 (1) In determining whether Chapter 4 of Part 5 (continuity on transfers within groups or on reorganisations) applies in the case mentioned in section 336 or 337 where the transferee became party to the loan relationship before 9 April 2003, section 338 (meaning of company replacing another as party to loan relationship) applies with the following omissions.

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- (2) In subsection (1) omit paragraphs (b) and (c).
- (3) In subsection (2) omit “or obligations”.
- (4) Omit subsections (5) and (6).
- (5) This paragraph must be read as if it were in Chapter 4 of Part 5.

*Deeply discounted securities held before 1 October 2002*

- 59 (1) This sub-paragraph applies if—
- (a) the condition in paragraph 17(1)(c) of Schedule 9 to FA 1996 (connection between issuing company and another company) is met as respects an accounting period beginning on or after 1 October 2002 as a result of the amendments made by paragraph 33 of Schedule 25 to FA 2002, but would not have been met in an accounting period beginning before that date, and
  - (b) the debtor relationship in question was a debtor relationship of the issuing company (within the meaning of section 407) on the first day of the company's first accounting period beginning on or after that date.
- (2) If sub-paragraph (1) applies, section 407 does not apply in relation to that debtor relationship as a result of those amendments.
- (3) This sub-paragraph applies if section 409 applies in a case where—
- (a) the relevant period began before 1 October 2002,
  - (b) as a result of paragraph 18 of Schedule 9 to FA 1996 an amount (“the deferred amount”) was not brought into account by a company for the purposes of Chapter 2 of Part 4 of that Act in respect of a debtor relationship for an accounting period beginning before that date, and
  - (c) the deeply discounted security concerned has not been redeemed before the beginning of the company's first accounting period to which this Act applies.
- (4) If sub-paragraph (3) applies, as regards any accounting period to which this Act applies, section 409(2) applies as if paragraph 18(2) of Schedule 9 to FA 1996, instead of preventing the bringing of amounts into account for any accounting period before that in which the security was redeemed, had provided for the deferred amount to be brought into account for the accounting period in which the security was redeemed rather than for the relevant period.
- (5) In this paragraph—
- “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 430 of that Act), and
  - “the relevant period” has the same meaning as in section 409.
- 60 (1) This paragraph applies if—
- (a) an authorised unit trust or open-ended investment company holds a deeply discounted security on the last day of the unit trust's or company's last accounting period beginning before 1 October 2002 (“the last old day”),
  - (b) the security was not transferred or redeemed on that day,
  - (c) there is an amount which, if the unit trust or company had made a transfer of that security on that day, by selling it for its adjusted closing value—

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- (i) would have been charged under paragraph 1 of Schedule 13 to FA 1996 under Case III or IV of Schedule D, or
    - (ii) would have been eligible for relief from tax on a claim for the purposes of paragraph 2 of Schedule 13 to FA 1996, and
  - (d) that amount has not fallen to be brought into account under paragraph 64(3) of Schedule 25 to FA 2002.
- (2) That amount must be brought into account as a non-trading credit, or (as the case may be) a non-trading debit, for the purposes of Part 5 (loan relationships) for the relevant accounting period.
- (3) The relevant accounting period is the accounting period in which falls the earliest of—
  - (a) the first day that falls after the last old day and is a day on which, under the terms on which the security was issued, the holder of the security is entitled to require it to be redeemed,
  - (b) the day on which the security is redeemed, and
  - (c) the day on which the unit trust or company makes a disposal of the security.
- (4) For the purposes of sub-paragraph (1)(c), the “adjusted closing value” of a deeply discounted security held by the unit trust or company on the last old day is the amount which for the purposes of Chapter 2 of Part 4 of FA 1996 was the opening value, as at the first day of the unit trust's or company's first accounting period beginning on or after 1 October 2002, of the unit trust's or company's rights and liabilities under the relationship represented by that security.
- (5) Paragraph 5(7) of Schedule 15 to FA 1996 (determination of opening value where accruals basis of accounting is used) applies for the purposes of sub-paragraph (4) as it applies for the purposes of paragraph 5 of that Schedule, but—
  - (a) taking the reference to 1 April 1996 as a reference to the first day of the unit trust's or company's first accounting period beginning on or after 1 October 2002, and
  - (b) applying paragraph 4 of that Schedule (determination of amounts treated as accruing on or after 1 April 1996) (as it had effect immediately before 1 April 2009) for these purposes with the same modification.
- (6) In this paragraph—
  - “creditor relationship” has the same meaning as in Part 5,
  - “deeply discounted security” has the same meaning as in that Chapter (see section 430 of that Act),
  - “open-ended investment company” has the same meaning as in section 468A of ICTA,
  - “redeem” means—
    - (a) make a disposal, within the meaning of Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities), except by a transfer within the meaning of that Chapter, or
    - (b) convert as mentioned in section 437(1)(c) of that Act, and
  - “transfer” has the same meaning as in that Chapter.
- (7) In this paragraph “the relevant period” has the same meaning as in section 409.

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*Restriction on bringing into account credits resulting from reversal of debits disallowed in a period of account beginning before 1 January 2005*

- 61 (1) No credit is to be brought into account for the purposes of Part 5 in respect of the reversal of a debit that was disallowed for tax purposes in a period of account beginning before 1 January 2005—
- (a) because of the assumption required by paragraph 5(1) of Schedule 9 to FA 1996, or
  - (b) because the exceptions in section 74(1)(j) of ICTA did not apply.
- (2) This paragraph does not apply if fair value accounting is used.

*Disregard of pre-2005 disallowed debits*

- 62 (1) This paragraph applies if in a period of account of a company beginning before 1 January 2005 (“the earlier period”) a debit was disallowed for tax purposes—
- (a) because of the assumption required by paragraph 5(1) of Schedule 9 to FA 1996, or
  - (b) because the exceptions in section 74(1)(j) of ICTA did not apply.
- (2) The debit is ignored in determining the accounting value of an asset of the company at the end of the earlier period for the purposes of section 316 (change of accounting policy involving change of value).

*Bringing into account losses on overseas sovereign debt etc*

- 63 (1) This paragraph applies if at the end of the last period of account of a company before paragraph 17(1)(b) of Schedule 4 to FA 2005 (which repealed paragraph 9 of Schedule 9 to FA 1996) had effect—
- (a) the company had ceased to be a party to a loan relationship, and
  - (b) the effect of paragraph 9 of Schedule 9 to FA 1996 (restrictions on bringing into account losses on overseas sovereign debt) (or a corresponding earlier enactment) was that part of the loss arising had not been brought into account for tax purposes.
- (2) Despite the repeal by this Act of paragraph 17(3) of Schedule 4 to FA 2005, any debit that, as a result of that paragraph, immediately before its repeal could have been brought into account for the purposes of Chapter 2 of Part 4 of FA 1996 (loan relationships) under paragraph 9(4) or (5) of Schedule 9 to FA 1996 in a subsequent period of account of the company may be brought into account in such a period for the purposes of Part 5 (loan relationships).

*Saving for old elections for treating loan relationships with embedded derivatives as two assets*

- 64 (1) The repeal by this Act of paragraph 7 of Schedule 6 to F(No.2)A 2005 (loan relationships with embedded derivatives) does not affect—
- (a) any election made under that paragraph immediately before the repeal takes effect, or
  - (b) any election which immediately before the repeal takes effect had effect as if so made as a result of sub-paragraph (8) of that paragraph (elections made under paragraph 28(3) of Schedule 4 to FA 2005).

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- (2) This Act applies to those elections as if they had been made under section 416 (election for application of sections 415 and 585).

*Deeply discounted securities of close companies: discounts  
for accounting periods beginning before 1 April 2007*

- 65 (1) This paragraph applies as regards a debtor relationship entered into in pursuance of a contract—
- (a) made before 4 March 2005, and
  - (b) not varied after that date, or not varied until after that date.
- (2) A debit is not allowed or required, as a result of the amendments made by paragraph 3(2) and (4) to (7) of Schedule 8 to F(No.2)A 2005, to be brought into account under Part 5 for an accounting period in respect of any amount of discount in respect of which a debit is so brought into account for any earlier accounting period.
- (3) In sub-paragraph (2) “earlier accounting period” means an accounting period that began before—
- (a) 1 April 2007, or
  - (b) if the contract mentioned in sub-paragraph (1) was varied before that date, the date of variation.
- (4) The references in this paragraph to the variation of a contract do not include references to a variation that does not affect the terms of the debtor relationship in question.

*Repo, stock lending and other transactions before  
1 October 2007: disapplication of section 332*

- 66 Section 332 (repo, stock lending and other transactions) does not apply in relation to cases where there is—
- (a) an arrangement to which Chapter 10 of Part 6 would apply if the arrangement had not come into force before 1 October 2007,
  - (b) a stock lending arrangement (within the meaning of section 263B(1) of TCGA 1992), which came into force before that date and under which the lender transfers securities to the borrower otherwise than by way of sale, or
  - (c) any other disposal before that date.

*Avoidance relying on continuity of treatment provisions: transactions before 16 May 2008*

- 67 Section 347 (disapplication of Chapter 4 of Part 5 where transferor party to avoidance) does not have effect in relation to transactions taking place, or a series of transactions of which the first takes place, before 16 May 2008.

*Disposals for consideration not fully recognised by  
accounting practice: disposals before 16 May 2008*

- 68 Section 455 (disposals for consideration not fully recognised by accounting practice) does not have effect in relation to disposals before 16 May 2008.

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*5½% Treasury Stock 2008-2012 not redeemed before 6 April 2009*

- 69 (1) This paragraph applies if any loan relationship of a company—
  - (a) is represented by any 5½% Treasury Stock 2008-2012, and
  - (b) is one to which the company is a party otherwise than in the course of activities that form an integral part of a trade it carries on.
- (2) No amounts fall to be brought into account for the purposes of Part 5 in respect of the loan relationship unless they relate to interest.

*References to Companies Act 2006*

70 Until section 658 of the Companies Act 2006 (c. 46) (rule against limited company acquiring own shares) comes into force, references to that section in sections 421(4) (g)(ii) and 431(7)(b) have effect as if they were references to section 143 of the Companies Act 1985 (c. 6).

PROSPECTIVE

*Prospective repeal of provisions concerning  
exchange gains and losses from loan relationships*

<sup>F1</sup>71 .....

**Textual Amendments**

**F1** Sch. 2 para. 71 omitted (with effect in accordance with Sch. 7 Pt. 6 of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), **Sch. 7 paras. 101(2), 105**

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- [Blanket amendment words substituted by S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)