



Corporation Tax Act 2010

2010 CHAPTER 4

PART 7

COMMUNITY INVESTMENT TAX RELIEF

CHAPTER 6

SUPPLEMENTARY AND GENERAL

Alternative finance arrangements

256 Meaning of “loan” and “interest”

(1) In this Part—

- (a) references to a “loan” include references to alternative finance arrangements, and
- (b) references to “interest” include references to alternative finance return.

(2) In subsection (1)—

“alternative finance arrangements” means arrangements to which any of the following applies—

- (a) section 503 of CTA 2009 (purchase and resale arrangements),
- (b) section 505 of that Act (deposit arrangements),
- (c) section 506 of that Act (profit share agency arrangements), and

“alternative finance return” has the meaning given by section 511 and 513(1) and (2) of that Act.

(3) Subsection (1) needs to be read with—

- (a) section 257, in the case of arrangements to which section 503 of CTA 2009 applies,
- (b) section 258, in the case of arrangements to which section 505 of that Act applies, and

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- (c) section 259, in the case of arrangements to which section 506 of that Act applies.

257 Purchase and resale arrangements

- (1) This section applies if, under arrangements to which section 503 of CTA 2009 applies, a person (“the first purchaser”) purchases an asset that is sold to another person (“the second purchaser”).
- (2) This Part has effect in relation to the arrangements in accordance with subsections (3) to (9).
- (3) The first purchaser is treated as making a loan to the second purchaser.
- (4) The amount of the loan is treated as being equal to the first purchase price.
- (5) If the arrangements provide that the first purchaser will transfer ownership of the asset to the second purchaser in instalments—
 - (a) references to the loan being drawn down over a period of time include references to the asset being transferred to the second purchaser in instalments,
 - (b) references to the date on which the first amount of the loan is drawn down include references to the date on which the first instalment is transferred to the second purchaser, and
 - (c) references to the amount drawn down at a given date include references to the value of the instalments transferred at that date.
- (6) In calculating the amount of capital outstanding on the loan, each payment of the second purchase price (or part of the second purchase price), as reduced by any amount of alternative finance return (within the meaning of Chapter 6 of Part 6 of CTA 2009) included within each payment, is treated as repayment of the loan capital.
- (7) References to the beneficial owner of the loan include references to the person beneficially entitled to payment of the second purchase price.
- (8) References to the disposal of the whole or any part of the loan include references to the disposal of the right to receive payment of the whole or any part of the outstanding second purchase price.
- (9) If arrangements to which section 503 of CTA 2009 applies are, by virtue of this section, qualifying investments under Chapter 2 of this Part, paragraph (f) of section 249(1) above is to be ignored in relation to the arrangements concerned.
- (10) In this section “the first purchase price” and “the second purchase price” have the same meaning as in section 503 of CTA 2009.

258 Deposit arrangements

- (1) This section applies if, under arrangements to which section 505 of CTA 2009 applies, a person (“the depositor”) deposits money with a financial institution.
- (2) This Part has effect in relation to the arrangements in accordance with subsections (3) to (9).
- (3) The depositor is treated as making a loan to the financial institution.

- (4) The amount of the loan is treated as being equal to the money deposited under the arrangements.
- (5) If the arrangements provide that the depositor will deposit a sum of money with the financial institution in instalments—
 - (a) references to the loan being drawn down over a period of time include references to the depositor depositing a sum of money with the financial institution in instalments,
 - (b) references to the date on which the first amount of the loan is drawn down include references to the date on which the first instalment is deposited with the financial institution, and
 - (c) references to the amount drawn down at a given date include references to the value of the instalments deposited with the financial institution at that date.
- (6) The capital outstanding on the loan is treated as being equal to the balance of the repayable deposit.
- (7) References to any repayment of the loan include references to any repayment of the deposit.
- (8) References to the beneficial owner of the loan include references to the person beneficially entitled to repayment of the deposit.
- (9) References to the disposal of the whole or any part of the loan include references to the disposal of the right to receive repayment of the whole or any part of the deposit.
- (10) In this section “financial institution” has the same meaning as in Chapter 6 of Part 6 of CTA 2009 (see section 502 of that Act).

259 Profit share agency arrangements

- (1) This section applies if, under arrangements to which section 506 of CTA 2009 applies, a person (“the principal”) appoints a financial institution as agent.
- (2) This Part has effect in relation to the arrangements in accordance with subsections (3) to (9).
- (3) The principal is treated as making a loan to the agent.
- (4) The amount of the loan is treated as being equal to the money provided by the principal to the agent under the arrangements.
- (5) If the arrangements provide that the principal will provide a sum of money to the agent in instalments—
 - (a) references to the loan being drawn down over a period of time include references to the principal providing a sum of money to the agent in instalments,
 - (b) references to the date on which the first amount of the loan is drawn down include references to the date on which the first instalment is provided to the agent, and
 - (c) references to the amount drawn down at a given date include references to the value of the instalments provided to the agent at that date.
- (6) The capital outstanding on the loan is treated as being equal to the balance of the repayable money provided to the agent.

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- (7) References to any repayment of the loan include references to any repayment of the money provided to the agent.
- (8) References to the beneficial owner of the loan include references to the person beneficially entitled to repayment of the money provided to the agent.
- (9) References to the disposal of the whole or any part of the loan include references to the disposal of the right to receive repayment of the whole or any part of the money provided to the agent.
- (10) In subsection (1) “financial institution” has the same meaning as in Chapter 6 of Part 6 of CTA 2009 (see section 502 of that Act).