



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

[^{F1}PART 10]

[^{F1}CORPORATE INTEREST RESTRICTION]

[^{F1}CHAPTER 2]

[^{F1}DISALLOWANCE AND REACTIVATION OF TAX-INTEREST EXPENSE AMOUNTS]

Textual Amendments

- F1** Pt. 10: the existing Pt. 10 renumbered as Pt. 11 (except for ss. 375, 376 which are repealed), the existing ss. 372-374, 377-382 renumbered as ss. 499-507 and a new Pt. 10 (ss. 372-498) inserted (with effect in accordance with [Sch. 5 para. 25\(1\)-\(3\)](#) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 5 para. 1](#), [10\(1\)\(2\)\(a\)\(3\)](#) (with [Sch. 5 paras. 27, 32-34](#))

[^{F1}375 Disallowance of deductions: full interest restriction return submitted

- (1) This section applies where—
- an interest restriction return is submitted for a period of account of a worldwide group (“the relevant period of account”),
 - the return complies with the requirements of paragraph 20(3) of Schedule 7A (requirements for full interest restriction return), and
 - the return includes a statement that the group is subject to interest restrictions in the return period.
- (2) A company that is listed on the statement under paragraph 22 of Schedule 7A (statement of allocated interest restrictions) must, in any accounting period for which

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the statement specifies an allocated disallowance, leave out of account tax-interest expense amounts that, in total, equal that allocated disallowance.

- (3) A non-consenting company in relation to the return may—
- (a) elect that subsection (2) is not to apply in relation to such relevant accounting period of the company as is specified in the election, or
 - (b) revoke an election previously made.
- (4) If—
- (a) an election under this section has effect in relation to an accounting period of a company, and
 - (b) paragraph 24 of Schedule 7A allocates to that period a pro-rata share of the total disallowed amount that is not nil,
- the company must leave out of account in that period tax-interest expense amounts that, in total, equal that pro-rata share.
- (5) See section 377 for provision as to which tax-interest expense amounts are to be left out of account as a result of this section.]

[^{F1}376 Disallowance of deductions: no return, or non-compliant return, submitted

- (1) This section applies where—
- (a) a worldwide group is subject to interest restrictions in a period of account of the group (“the relevant period of account”),
 - (b) the relevant date has passed, and
 - (c) condition A, B or C is met.
- (2) In this section “the relevant date” means—
- (a) where the appointment of a reporting company has effect in relation to the relevant period of account, the filing date in relation to the period (see paragraph 7(5) of Schedule 7A);
 - (b) otherwise, the last day of the period of 12 months beginning with the end of the relevant period of account.
- (3) Condition A is that no appointment of a reporting company has effect in relation to the relevant period of account.
- (4) Condition B is that—
- (a) the appointment of a reporting company has effect in relation to the relevant period of account, and
 - (b) no interest restriction return has been submitted for the period.
- (5) Condition C is that—
- (a) the appointment of a reporting company has effect in relation to the relevant period of account,
 - (b) an interest restriction return has been submitted for the period, and
 - (c) the return does not comply with the requirements of paragraph 20(3) of Schedule 7A (for example by including inaccurate figures).
- (6) A relevant company must, in any accounting period to which paragraph 24 of Schedule 7A allocates a pro-rata share of the total disallowed amount that is not nil, leave out of account tax-interest expense amounts that, in total, equal that pro-rata share.

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- (7) See section 377 for provision as to which tax-interest expense amounts are to be left out of account as a result of this section.
- (8) In this section “relevant company” means a company that was a member of the worldwide group at any time during the relevant period of account.]

[^{F1}377 Disallowance of deductions: identification of the tax-interest amounts to be left out of account

- (1) This section applies where—
- (a) a company is required to leave tax-interest expense amounts out of account in an accounting period under section 375 or 376, and
 - (b) the total of the tax-interest expense amounts that, apart from that provision, would be brought into account in the accounting period exceeds the total of the tax-interest expense amounts that are required by that provision to be left out of account in that period.
- (2) Tax-interest expense amounts must (subject to the following provisions of this section) be left out of account in the following order.
- First*, leave out of account tax-interest expense amounts that meet condition A in section 382 and would (if brought into account) be brought into account under Part 5 of CTA 2009 (non-trading debits in respect of loan relationships).
- Second*, leave out of account tax-interest expense amounts that meet condition B in section 382 and would (if brought into account) be brought into account under Part 5 of CTA 2009 as a result of section 574 of that Act (non-trading debits in respect of derivative contracts).
- Third*, leave out of account tax-interest expense amounts that meet condition A in section 382 and would (if brought into account) be brought into account under Part 3 of CTA 2009 as a result of section 297 of that Act (debits in respect of loan relationships treated as expenses of trade).
- Fourth*, leave out of account tax-interest expense amounts that meet condition B in section 382 and would (if brought into account) be brought into account under Part 3 of CTA 2009 as a result of section 573 of that Act (debits in respect of derivative contracts treated as expenses of trade).
- Fifth*, leave out of account tax-interest expense amounts that meet condition C in section 382 and do not also meet condition A or B in that section (finance leases, debt factoring and service concession arrangements).
- (3) The company may—
- (a) elect that subsection (2) is not to apply to the accounting period, or
 - (b) revoke an election previously made.
- (4) An election under this section must specify the particular tax-interest expense amounts that are to be left out of account.]

[^{F1}378 Disallowed tax-interest expense amounts carried forward

- (1) For the purposes of this Part a tax-interest expense amount of a company is “disallowed” in an accounting period if the company is required to leave it out of account in that accounting period under section 375 or 376.

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- (2) A tax-interest expense amount of a company that is disallowed in an accounting period is (subject to the remaining provisions of this section) carried forward to subsequent accounting periods.
- (3) Where—
- (a) a tax-interest expense amount of a company would (apart from this Part) be brought into account in calculating the profits or losses of a trade carried on by the company in an accounting period,
 - (b) the tax-interest expense amount is disallowed in that accounting period, and
 - (c) in a subsequent accounting period (“the later accounting period”) the company ceases to carry on the trade, or the scale of the activities in the trade becomes small or negligible,
- the tax-interest expense amount is not carried forward to ^{F2}... accounting periods after the later accounting period.
- (4) Where—
- (a) a tax-interest expense amount of a company would (apart from this Part) be brought into account in calculating the profits or losses of a trade carried on by the company in an accounting period,
 - (b) the tax-interest expense amount is disallowed in that accounting period, and
 - (c) in a subsequent accounting period (“the later accounting period”) the trade is uncommercial and non-statutory,
- the tax-interest expense amount is not carried forward to the later accounting period or accounting periods after the later accounting period.
- (5) For the purposes of subsection (4), a trade is “uncommercial and non-statutory” in an accounting period if, were the company to have made a loss in the trade in the period, relief for the loss under section 37 of CTA 2010 (relief for trade losses against total profits) would have been unavailable by virtue of section 44 of that Act (trade must be commercial or carried on for statutory functions).
- (6) Where—
- (a) a tax-interest expense amount of a company would (apart from this Part) be brought into account in calculating the profits or losses of an investment business carried on by the company in an accounting period,
 - (b) the tax-interest expense amount is disallowed in that accounting period, and
 - (c) in a subsequent accounting period (“the later accounting period”) the company ceases to carry on the investment business, or the scale of the activities in the investment business becomes small or negligible,
- the tax-interest expense amount is not carried forward to ^{F3}... accounting periods after the later accounting period.
- (7) Where a tax-interest expense amount—
- (a) is disallowed in an accounting period,
 - (b) is carried forward to a subsequent accounting period (“the later accounting period”), and
 - (c) is brought into account in the later accounting period in accordance with section 379,
- it is not carried forward to accounting periods after the later accounting period.]

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 2. (See end of Document for details)

Textual Amendments

- F2** Words in s. 378(3) omitted (retrospectively) by virtue of [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 18, 23\(1\)](#)
- F3** Words in s. 378(6) omitted (retrospectively) by virtue of [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 18, 23\(1\)](#)

[^{F1}379 **Reactivation of interest**

- (1) This section applies where—
- an interest restriction return is submitted for a period of account of a worldwide group (“the relevant period of account”),
 - the return complies with the requirements of paragraph 20(3) of Schedule 7A (requirements for full interest restriction return), and
 - the return contains a statement that the group is subject to interest reactivations in the return period.
- (2) A company that is listed on the statement under paragraph 25 of Schedule 7A (statement of allocated interest reactivations) must, in the specified accounting period, bring into account tax-interest expense amounts that—
- are brought forward to the specified accounting period from an earlier accounting period, and
 - in total, equal the allocated reactivation for the return period.
- (3) A tax-interest expense amount is brought into account in the specified accounting period under subsection (2) by being treated as a tax-interest expense amount of the specified accounting period (so that, for example, a tax-interest expense amount that is a relevant loan relationship debit falling within section 383(2)(a)(ii) is brought into account in the specified period as a non-trading debit under Part 5 of CTA 2009).
- (4) See section 380 for provision as to which tax-interest expense amounts are to be brought into account under subsection (2).
- (5) In this section “the specified accounting period” means—
- the earliest relevant accounting period of the company, or
 - where the company became a member of the relevant worldwide group during the relevant period of account, the earliest relevant accounting period of the company in which it was a member of the group.]

[^{F1}380 **Reactivation of deductions: identification of the tax-interest amounts to be brought into account**

- (1) This section applies where—
- a company is required to bring tax-interest expense amounts into account in an accounting period under section 379, and
 - the total of the tax-interest expense amounts that are brought forward to the accounting period from earlier accounting periods exceeds the total of the tax-interest expense amounts that are required by that provision to be brought into account in that accounting period.

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- (2) Tax-interest expense amounts must (subject to the following provisions of this section) be brought into account in the following order.
- First*, bring into account tax-interest expense amounts that meet condition A in section 382 and are brought into account under Part 5 of CTA 2009 (non-trading debits in respect of loan relationships).
- Second*, bring into account tax-interest expense amounts that meet condition B in section 382 and are brought into account under Part 5 of CTA 2009 as a result of section 574 of that Act (non-trading debits in respect of derivative contracts).
- Third*, bring into account tax-interest expense amounts that meet condition A in section 382 and are brought into account under Part 3 of CTA 2009 as a result of section 297 of that Act (debits in respect of loan relationships treated as expenses of trade).
- Fourth*, bring into account tax-interest expense amounts that meet condition B in section 382 and are brought into account under Part 3 of CTA 2009 as a result of section 573 of that Act (debits in respect of derivative contracts treated as expenses of trade).
- Fifth*, bring into account tax-interest expense amounts that meet condition C in section 382 and do not also meet condition A or B in that section (finance leases, debt factoring and service concession arrangements).
- (3) The company may—
- (a) elect that subsection (2) is not to apply to the accounting period, or
 - (b) revoke an election previously made.
- (4) An election under this section must specify the particular tax-interest expense amounts that are to be brought into account.]

[^{F1}381 Set-off of disallowances and reactivations in the same accounting period

- (1) This section applies where, as a result of the operation of this Part in relation to different periods of account (whether of the same or a different worldwide group), a company would, apart from this section—
- (a) be required to leave out of account one or more tax-interest expense amounts in an accounting period under section 375 or 376, and
 - (b) be required to bring one or more tax-interest expense amounts into account in that accounting period under section 379.
- (2) In this section—
- (a) “the gross disallowed amount” means the amount, or total of the amounts, mentioned in subsection (1)(a);
 - (b) “the gross reactivated amount” means the amount, or total of the amounts, mentioned in subsection (1)(b).
- (3) Where the gross disallowed amount is equal to the gross reactivated amount, no tax-interest expense amounts are to be left out of account in the accounting period under this Part or brought into account in the accounting period under this Part.
- (4) Where the gross disallowed amount is more than the gross reactivated amount—
- (a) the requirement in section 375 or 376 is to leave out of account tax-interest expense amounts that, in total, equal the gross disallowed amount less the gross reactivated amount, and

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- (b) no amount is to be brought into account in the accounting period under section 379.
- (5) Where the gross reactivated amount is more than the gross disallowed amount—
- (a) no amount to be left out of account in the accounting period under section 375 or 376, and
 - (b) the requirement in section 379 is to bring into account the gross reactivated amount less the gross disallowed amount.]

Changes to legislation:

There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 2.