
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2018, Cross Heading:
Hybrid entity double deduction mismatches: use of restricted deduction. (See end of Document for details)

SCHEDULES

SCHEDULE 7

HYBRID AND OTHER MISMATCHES

Hybrid entity double deduction mismatches: use of restricted deduction

- 13 In section 259IC(4) (counteraction where the hybrid entity is within the charge to corporation tax), for the words from “unless” to the end substitute “unless it is deducted from—
- (c) dual inclusion income for that period, or
 - (d) section 259ID income for that period.”
- 14 After section 259IC insert—

“259ID Section 259ID income for the purposes of section 259IC

- (1) This section applies where—
 - (a) section 259IC applies,
 - (b) the restricted deduction exceeds the dual inclusion income of the hybrid entity (if any) for the hybrid entity deduction period, and
 - (c) conditions A to D are met.
- (2) Condition A is that—
 - (a) the investor in the hybrid entity makes a payment to the hybrid entity, and
 - (b) no amount is deductible, under the law of the investor jurisdiction, from the income of the investor in respect of the payment.
- (3) Condition B is that, as a result of the payment, an amount of ordinary income arises to the hybrid entity for the hybrid entity deduction period.
- (4) Condition C is that the payment is made in direct consequence of a payment made to the investor by a person (“the unrelated party”) who is not related (see section 259NC) to the investor or the hybrid entity.
- (5) Condition D is that, as a result of the payment made by the unrelated party, an amount of ordinary income arises to the investor.
- (6) For the purposes of section 259IC “section 259ID income” is an amount of income of the hybrid entity equal to the lesser of—
 - (a) the amount of the payment made by the investor to the hybrid entity, and
 - (b) the amount of the payment made by the unrelated party to the investor.”

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