

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 14. (See end of Document for details)

SCHEDULES

SCHEDULE 14

Section 104.

LOAN RELATIONSHIPS: MINOR AND CONSEQUENTIAL AMENDMENTS

The Taxes Management Act 1970 (c. 9)

- 1 (1) In subsection (4A) of section 87A of the Taxes Management Act 1970 (interest on overdue corporation tax)—
- (a) in paragraph (a), for the words from “a relievable amount” to the end of the paragraph there shall be substituted “a non-trading deficit on the company’s loan relationships, ”; and
 - (b) in paragraph (b), for the words from “subsection (5)” to “subsection (10) of that section” there shall be substituted “section 83(2)(c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act the whole or part of the deficit for the later period is set off against profits ”.
- [^{F1}(2) In subsection (4B) of that section, for the words “section 131(5) or (6) of the Finance Act 1993”, in each place where they occur, there shall be substituted “section 83(2) (c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act ”.]

Textual Amendments

- F1** [Sch. 14 para 1\(2\)](#) repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(2), Note of the amending Act) by 1998 c. 36, s. 165, [Sch. 27 Pt. III\(2\)](#)

The Inheritance Tax Act 1984 (c. 51)

- 2 (1) In section 174(1)(b) of the Inheritance Tax Act 1984 (unpaid tax relating to deep discount securities deemed to be transferred on death), for the words from “paragraph 4” onwards there shall be substituted “Schedule 13 to the Finance Act 1996 (discounted securities) on a transfer which is treated as taking place by virtue of paragraph 4(2) of that Schedule. ”
- (2) This paragraph applies in relation to deaths on or after 6th April 1996.

The Airports Act 1986 (c. 31)

- 3 In section 77 of the Airports Act 1986 (taxation provisions), for subsection (3) there shall be substituted the following subsection—
- “(3) For the purposes of Part VI of the ^{M1}Income and Corporation Taxes Act 1988 (company distributions) and Chapter II of Part IV of the Finance Act 1996 (loan relationships), any debentures of the company issued in pursuance of section 4 shall be treated as having been issued for new consideration equal to the principal sum payable under the debenture.”

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Marginal Citations

M1 1988 c. 1.

The Gas Act 1986 (c. 44)

- 4 In section 60 of the Gas Act 1986 (taxation provisions), for subsection (3) there shall be substituted the following subsection—

“(3) For the purposes of Part VI of the ^{M1}Income and Corporation Taxes Act 1988 (company distributions) and Chapter II of Part IV of the Finance Act 1996 (loan relationships), any debentures issued in pursuance of section 51 above shall be treated as having been issued for new consideration equal to the principal sum payable under the debenture.”

Marginal Citations

M2 1988 c. 1.

The Taxes Act 1988

- 5 In section 18 of the Taxes Act 1988 (Schedule D), the following subsection shall be inserted after subsection (3)—

“(3A) For the purposes of corporation tax subsection (3) above shall have effect as if the following Case were substituted for Cases III and IV, that is to say—

Case III:	<p>tax in respect of—</p> <p>(a) profits and gains which, as profits and gains arising from loan relationships, are to be treated as chargeable under this Case by virtue of Chapter II of Part IV of the Finance Act 1996;</p> <p>(b) any annuity or other annual payment which—</p> <p>(i) is payable (whether inside or outside the United Kingdom and whether annually or at shorter or longer intervals) in respect of anything other than a loan relationship; and</p> <p>(ii) is not a payment chargeable under Schedule A;</p> <p>(c) any discount arising otherwise than in respect of a loan relationship;</p>
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and as if Case V did not include tax in respect of any income falling within paragraph (a) of the substituted Case III.”

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6 In section 56 of that Act (transactions in deposits with or without certificates or in debts), after subsection (4) there shall be inserted the following subsections—

“(4A) This section and section 56A shall not apply for the purposes of corporation tax except in relation to rights in existence before 1st April 1996.

(4B) For the purposes of corporation tax, where any profits or gains arising from the disposal or exercise of a right in existence before 1st April 1996 are, or (if there were any) would be, chargeable under this section, nothing in Chapter II of Part IV of the Finance Act 1996 (loan relationships) shall require any amount relating to that disposal, or to the exercise of that right, to be brought into account for the purposes of that Chapter.”

7 In section 70(3) of that Act (extension of Cases IV and V of Schedule D to non-resident companies), for “Cases IV and V” there shall be substituted “ Cases III and V ”.

^{F2}8

Textual Amendments

F2 Sch. 14 para. 8 repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)

^{F3}9

Textual Amendments

F3 Sch. 14 para. 9 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

10 (1) Section 78 of that Act (discounted bills of exchange) shall cease to have effect except in relation to bills of exchange drawn before 1st April 1996.

(2) Where any bill so drawn is paid on or after 1st April 1996—

(a) the amount which subsection (2) of that section provides to be treated as a deduction against total profits and as a charge on income shall (instead of being so treated) be brought into account for the purposes of this Chapter as a non-trading debit; and

(b) that amount shall be the only amount brought into account for the purposes of this Chapter in respect of the discount in question.

^{F4}11

Textual Amendments

F4 Sch. 14 para. 11 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

^{F5}12 (1) In subsection (2) of section 242 of that Act (set off of losses against surplus franked investment income), for paragraph (f) there shall be substituted—

“(f) the setting of amounts against profits in pursuance of a claim under section 83 of the Finance Act 1996 (non-trading deficits on loan

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relationships) or paragraph 4 of Schedule 11 to that Act (deficits of insurance companies).”

- (2) In subsection (8) of that section, for paragraph (e) there shall be substituted the following paragraph—

“(e) if and so far as the purpose for which the claim is made is the setting of an amount against profits in pursuance of a claim under—

(i) section 83 of the Finance Act 1996 (non-trading deficits on loan relationships), or

(ii) paragraph 4 of Schedule 11 to that Act (deficits of insurance companies),

the time limit that by virtue of subsection (6) of that section or sub-paragraph (15) of that paragraph would be applicable to such a claim.”]

Textual Amendments

F5 Sch. 14 para. 12 repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(4), Note of the amending Act) by 1997 c. 58, s. 52, **Sch. 8 Pt. II(4)**

^{F6}13

Textual Amendments

F6 Sch. 14 para. 13 repealed (11.5.2001) by 2001 c. 9, s. 110, **Sch. 33 Pt. 2(10)**, Note

- 14 (1) In subsection (2)(b) of section 337 of that Act (deduction of yearly interest etc. in computing income), for “yearly interest, annuity or other annual payment” there shall be substituted “ annuity or other annual payment which is not interest ”.

- (2) Subsection (3) of that section (deduction of yearly interest payable to a bank) shall cease to have effect.

- 15 After section 337 of that Act there shall be inserted the following section—

“337A Interest payable by companies.

No deduction shall be made in respect of interest in computing a company’s income from any source except in accordance with Chapter II of Part IV of the Finance Act 1996 (loan relationships).”

^{F7}16

Textual Amendments

F7 Sch. 14 para. 16 repealed (with effect in accordance with s. 1184(1) of the amending Act) by **Corporation Tax Act 2010 (c. 4)**, s. 1184(1), **Sch. 3 Pt. 1** (with **Sch. 2**)

- 17 Sections 338A, 340 and 341 of that Act (charges on income to include certain loans to buy land, provisions relating to interest payable to non-residents and provisions relating to payments between related companies) shall cease to have effect.

^{F8}18

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Textual Amendments

F8 Sch. 14 para. 18 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

^{F9}19

Textual Amendments

F9 Sch. 14 para. 19 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

20 (1) In section 401 of that Act (relief for pre-trading expenditure), after subsection (1) there shall be inserted the following subsections—

“(1AA) Subsection (1) above shall not apply to any expenditure in relation to which any debit falls, or (but for subsection (1AB) below) would fall, to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships).

(1AB) Where, in the case of any company—

- (a) a non-trading debit is given for any accounting period for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships), and
- (b) an election for the purposes of this section is made by that company with respect to that debit within the period of 2 years beginning with the end of that accounting period,

that debit shall not be brought into account for the purposes of that Chapter as a non-trading debit for that period, but subsection (1AC) below shall apply instead.

(1AC) If a company—

- (a) begins to carry on a trade within the period of seven years after the end of the accounting period for which a non-trading debit is given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships),
- (b) that debit is such that, if it had been given for the accounting period in which the company begins to carry on that trade, it would have been brought into account by reference to that trade in accordance with section 82(2) of that Act (trading debits and credits), and
- (c) an election is or has been made with respect to that debit under subsection (1AB) above,

that debit shall be treated for the purposes of that Chapter as if it were a debit for the accounting period in which the company begins to carry on the trade and shall be brought into account for that period in accordance with section 82(2) of that Act.”

(2) Subsection (1A) of that section shall cease to have effect.

^{F10}21

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Textual Amendments

- F10** Sch. 14 para. 21 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

^{F11}22

Textual Amendments

- F11** Sch. 14 para. 22 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

^{F12}23

Textual Amendments

- F12** [Sch. 14 para. 23](#) omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 247(g)(iv)**

24 Where this Chapter has effect in relation to any accounting period in relation to which section 434B of that Act (treatment of interest and annuities in the case of insurance companies) has effect without the amendments made by section 165 of this Act, that section of that Act shall have effect in relation to that period as if the words “interest or”, in each place where they occur, were omitted.

^{F13}25

Textual Amendments

- F13** Sch. 14 para. 25 repealed (with effect in accordance with Sch. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(10)**

^{F14}26

Textual Amendments

- F14** [Sch. 14 para. 26](#) repealed (31.1.2013) by [Statute Law \(Repeals\) Act 2013 \(c. 2\)](#), s. 3(2), **Sch. 1 Pt. 10** Group 1

^{F15}27

Textual Amendments

- F15** Sch. 14 para. 27 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 10 Pt. 12** (with [Sch. 9 paras. 1-9, 22](#))

28 (1) In subsection (3) of section 477A of that Act (building societies: regulations for deducting tax), for paragraph (a) there shall be substituted the following paragraphs—

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- “(a) liability to pay the dividends or interest shall be treated for the purposes of Chapter II of Part IV of the Finance Act 1996 as a liability arising under a loan relationship of the building society;
- (aa) if the dividends or interest are payable to a company, they shall be treated for those purposes as payable to that company in pursuance of a right arising under a loan relationship of that company;”.
- (2) Subsections (3A) to (3C) of that section shall cease to have effect.
- 29 Sections 484 and 485 of that Act (savings banks: exemption from tax) shall cease to have effect.
- 30 In section 486 of that Act (industrial and provident societies)—
- (a) in subsection (1), for the words from “and, subject to subsection (7)” onwards there shall be substituted “ but interest payable by such a society (whether as share interest or loan interest) shall be treated for the purposes of corporation tax as interest under a loan relationship of the society. ”; and
- (b) in subsection (7), for the words from “not be deductible” onwards there shall be substituted “ not be brought into account in that period for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships). ”
- 31 (1) In subsection (1) of section 487 of that Act (credit unions), for paragraph (b) there shall be substituted the following paragraph—
- “(b) no credits shall be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in respect of any loan relationship of a credit union as respects which a member of the union stands in the position of a debtor as respects the debt in question.”
- (2) In subsection (3) of that section—
- (a) for “No share interest, loan interest or annuity or other annual payment” there shall be substituted “ An annuity or other annual payment (not being a payment of share interest or loan interest) which is ”; and
- (b) after “shall” there shall be inserted “ not ”.
- (3) After that subsection there shall be inserted the following subsection—
- “(3A) No debits shall be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in respect of any loan relationship of a credit union as respects which a member of the union stands in the position of a creditor as respects the debt in question.”
- 32 ^{F16}(1)
- ^{F16}(2)
- ^{F16}(3)
- ^{F17}(4) For subsection (4) of that section (charges on income), there shall be substituted the following subsections—
- “(4) Subsection (7) of section 403 shall have effect as if the reference in that subsection to the profits of the surrendering company for an accounting period did not include the relevant part of the company’s ring fence profits for that period.

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- (5) For the purposes of subsection (4) above the relevant part of a company's ring fence profits for an accounting period are—
- (a) if for that period—
 - (i) there are no charges on income paid by the company that are allowable under section 338, or
 - (ii) the only charges on income so allowable are charges to which subsection (3) above applies,
 all the company's ring fence profits; and
 - (b) in any other case, so much of its ring fence profits as exceeds the amount of the charges on income paid by the company as are so allowable for that period and are not charges to which subsection (3) above applies.”]

Textual Amendments

- F16** Sch. 14 para. 32(1)-(3) repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F17** Sch. 14 para. 32(4) repealed (31.7.1998 with effect as mentioned in s. 38(2)(3) of the amending Act) by [1998 c. 36](#), s. 165, [Sch. 27 Pt. III\(4\)](#), Note

F18 33

Textual Amendments

- F18** Sch. 14 para. 33 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

- 34 In section 614 of that Act (exemptions and reliefs in respect of income from certain pension funds etc.), after subsection (2) of that section there shall be inserted the following subsection—
- “(2A) The reference in subsection (2) above to interest on sums forming part of a fund include references to any amount which is treated as income by virtue of paragraph 1 of Schedule 13 to the Finance Act 1996 (relevant discounted securities) and derives from any investment forming part of that fund.”

F19 35

Textual Amendments

- F19** Sch. 14 para. 35 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

F20 36

Textual Amendments

- F20** Sch. 14 para. 36 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

F21 37

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Textual Amendments

F21 Sch. 14 para. 37 repealed (with effect in accordance with s. 47 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

[^{F22}38 In section 737(5A) of that Act (relief in respect of manufactured dividends), after “a manufactured dividend” there shall be inserted “ that is not manufactured interest to which section 97 of the Finance Act 1996 applies ”.]

Textual Amendments

F22 Sch. 14 para. 38 repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(10), Note 1 of the amending Act) by [1997 c. 16, ss. 76, 113](#), [Sch. 10 Pt. I para. 7\(1\)](#), [Sch. 18 Pt. VI\(10\)](#)

^{F23}39

Textual Amendments

F23 [Sch. 14 para. 39](#) repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 1184\(1\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

^{F24}40

Textual Amendments

F24 Sch. 14 para. 40 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 1184\(1\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

^{F25}41

Textual Amendments

F25 Sch. 14 paras. 41-47 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), [s. 381\(1\)](#), [Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))

^{F25}42

Textual Amendments

F25 Sch. 14 paras. 41-47 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), [s. 381\(1\)](#), [Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))

^{F25}43

Textual Amendments

F25 Sch. 14 paras. 41-47 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), [s. 381\(1\)](#), [Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))

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F2544

Textual Amendments
F25 Sch. 14 paras. 41-47 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))

F2545

Textual Amendments
F25 Sch. 14 paras. 41-47 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))

F2546

Textual Amendments
F25 Sch. 14 paras. 41-47 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))

F2547

Textual Amendments
F25 Sch. 14 paras. 41-47 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))

- 48 (1) In subsection (7C) of section 826 of that Act (interest on tax overpaid)—
- (a) in paragraph (a), for the words from “a relievable amount” to the end of the paragraph there shall be substituted “ a non-trading deficit on the company’s loan relationships, ”;
 - (b) in paragraph (b), for the words from “subsection (5)” to “subsection (10) of that section)” there shall be substituted “ section 83(2)(c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act the whole or part of the deficit for the later period is set off against profits ”; and
 - (c) in the words after paragraph (c), for “subsection (5) or (6) (as the case may be) of that section” there shall be substituted “ section 83(2)(c) of that Act or, as the case may be, paragraph 4(3) of Schedule 11 to that Act ”.

[F26(2) In subsection (7CA) of that section, for the words “section 131(5) or (6) of the Finance Act 1993”, in each place where they occur, there shall be substituted “ section 83(2)(c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act ”.]

Textual Amendments
F26 Sch. 14 para. 48(2) repealed (31.7.1998 with effect as mentioned in [Sch. 3](#) of the amending Act) by [1998 c. 36](#), s. 165, [Sch. 27 Pt. III\(2\)](#), Note

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49 In subsection (1) of section 834 of that Act (definitions for the purposes of the Corporation Tax Acts), after the definition of “group relief” there shall be inserted the following definitions—

““loan relationship” has the same meaning as it has for the purposes of Chapter II of Part IV of the Finance Act 1996;

“non-trading deficit”, in relation to a company’s loan relationships, shall be construed in accordance with section 82 of the Finance Act 1996.”

50 Schedule 4 to that Act (deep discount securities) shall cease to have effect.

[^{F27}51 In paragraph 5B(2) of Schedule 19AC to that Act (overseas life companies), the following paragraph shall be inserted after paragraph (d)—

“(e) the setting of amounts against profits under, or in pursuance of a claim under, paragraph 4 of Schedule 11 to the Finance Act 1996 (loan relationships of insurance companies).”]

Textual Amendments

F27 Sch. 14 para. 51 repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(6), Note of the amending Act) by 1997 c. 58, s. 52, **Sch. 8 Pt. II(6)**

^{F28}52

Textual Amendments

F28 Sch. 14 para. 52 repealed (with effect in accordance with s. 1184(1) of the amending Act) by **Corporation Tax Act 2010 (c. 4)**, s. 1184(1), **Sch. 3 Pt. 1** (with **Sch. 2**)

53 In Schedule 26 to that Act (controlled foreign companies), in paragraph 1(3), the word “and” shall be inserted at the end of paragraph (e), and after that paragraph there shall be inserted the following paragraph—

“(f) any non-trading deficit on its loan relationships.”

^{F29}54

Textual Amendments

F29 Sch. 14 para. 54 repealed (with effect in accordance with s. 1184(1) of the amending Act) by **Corporation Tax Act 2010 (c. 4)**, s. 1184(1), **Sch. 3 Pt. 1** (with **Sch. 2**)

The British Steel Act 1988 (c. 35)

55 In section 11 of the British Steel Act 1988 (taxation provisions), for subsection (7) there shall be substituted the following subsection—

“(7) For the purposes of Part VI of the ^{M3}Income and Corporation Taxes Act 1988 (company distributions) and Chapter II of Part IV of the Finance Act 1996 (loan relationships), any debentures issued in pursuance of section 3 above shall be treated as having been issued for new consideration equal to the principal sum payable under the debenture.”

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Marginal Citations

M3 1988 c. 1.

The Finance Act 1989 (c. 26)

F30 56

Textual Amendments

F30 [Sch. 14 para. 56](#) omitted (with effect in accordance with Sch. 17 para. 18(6) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 17 para. 18\(5\)\(d\)](#)

57 Schedule 11 to that Act (deep gain securities) shall cease to have effect.

The Finance Act 1990 (c. 29)

58 Schedule 10 to the Finance Act 1990 (convertible securities) shall cease to have effect.

The Taxation of Chargeable Gains Act 1992 (c. 12)

59 In section 108(1) of the Taxation of Chargeable Gains Act 1992 (meaning of relevant securities), after paragraph (a) there shall be inserted the following paragraph—

“(aa) qualifying corporate bonds;”.

60 (1) Section 116 of that Act (reorganisations, conversions and reconstructions) shall be amended as follows.

(2) After subsection (4) there shall be inserted the following subsection—

“(4A) In determining for the purposes of subsections (1) to (4) above, as they apply for the purposes of corporation tax—

(a) whether sections 127 to 130 would apply in any case, and

(b) what, in a case where they would apply, would constitute the original shares and the new holding,

it shall be assumed that every asset representing a loan relationship of a company is a security within the meaning of section 132.”

(3) After subsection (8) there shall be inserted the following subsection—

“(8A) Where subsection (6) above applies for the purposes of corporation tax in a case where the old asset consists of a qualifying corporate bond, Chapter II of Part IV of the Finance Act 1996 (loan relationships) shall have effect so as to require such debits and credits to be brought into account for the purposes of that Chapter in relation to the relevant transaction as would have been brought into account if the transaction had been a disposal of the old asset at the market value mentioned in that subsection.”

(4) After subsection (15) there shall be inserted the following subsection—

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“(16) This section has effect for the purposes of corporation tax notwithstanding anything in section 80(5) of the Finance Act 1996 (matters to be brought into account in the case of loan relationships only under Chapter II of Part IV of that Act).”

- 61 (1) In section 117 of that Act (meaning of “qualifying corporate bond”), before subsection (1) there shall be inserted the following subsection—

“(A1) For the purposes of corporation tax “qualifying corporate bond” means (subject to sections 117A and 117B below) any asset representing a loan relationship of a company; and for purposes other than those of corporation tax references to a qualifying corporate bond shall be construed in accordance with the following provisions of this section.”

- (2) After subsection (2) of that section there shall be inserted the following subsection—

“(2AA) For the purposes of this section “corporate bond” also includes any asset which is not included in the definition in subsection (1) above and which is a relevant discounted security for the purposes of Schedule 13 to the Finance Act 1996.”

- (3) After subsection (6A) of that section there shall be inserted the following subsections—

“(6B) An excluded indexed security issued on or after 6th April 1996 is not a corporate bond for the purposes of this section; and an excluded indexed security issued before that date shall be taken to be such a bond for the purposes of this section only if—

- (a) it would be so taken apart from this subsection; and
- (b) the question whether it should be so taken arises for the purposes of section 116(10).

(6C) In subsection (6B) above “excluded indexed security” has the same meaning as in Schedule 13 to the Finance Act 1996 (relevant discounted securities).”

- (4) After subsection (8) of that section there shall be inserted the following subsection—

“(8A) A corporate bond falling within subsection (2AA) above is a qualifying corporate bond whatever its date of issue.”

- 62 After section 117 of that Act there shall be inserted the following sections—

“117A Assets that are not qualifying corporate bonds for corporation tax purposes.

- (1) An asset to which this section applies is not a qualifying corporate bond for the purposes of corporation tax in relation to any disposal of that asset.

- (2) This section applies to any asset representing a loan relationship of a company where—

- (a) subsection (3) or (4) below applies to the asset; and
- (b) it is held in exempt circumstances.

- (3) This subsection applies to an asset if—

- (a) the settlement currency of the debt to which it relates is a currency other than sterling; and

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- (b) that debt is not a debt on a security.
- (4) This subsection applies to an asset if the debt to which it relates is a debt on a security and is in a foreign currency.
- (5) For the purposes of subsection (4) above a debt is a debt in a foreign currency if it is—
 - (a) a debt expressed in a currency other than sterling;
 - (b) a debt the amount of which in sterling falls at any time to be determined by reference to the value at that time of a currency other than sterling; or
 - (c) subject to subsection (6) below, a debt as respects which provision is made for its conversion into, or redemption in, a currency other than sterling.
- (6) A debt is not a debt in a foreign currency for those purposes by reason only that provision is made for its redemption on payment of an amount in a currency other than sterling equal, at the rate prevailing at the date of redemption, to a specified amount in sterling.
- (7) The provisions specified in subsection (8) below, so far as they require a disposal to be treated as a disposal on which neither a gain nor a loss accrues, shall not apply to any disposal of an asset to which this section applies.
- (8) The provisions referred to in subsection (7) above are—
 - (a) sections 139, 140A, 171 and 172 of this Act; and
 - (b) section 486(8) of the Taxes Act.
- (9) Paragraph 3 of Schedule 17 to the ^{M4}Finance Act 1993 shall have effect for construing the reference in subsection (2)(b) above to exempt circumstances as if references to a currency were references to the debt to which the relationship relates.
- (10) In this section “security” includes a debenture that is deemed to be a security for the purposes of section 251 by virtue of subsection (6) of that section.

117B Holdings in unit trusts and offshore funds excluded from treatment as qualifying corporate bonds.

- (1) For the purposes of corporation tax an asset to which this section applies is not a qualifying corporate bond in relation to any disposal of that asset in an accounting period for which that asset falls, under paragraph 4 of Schedule 10 to the Finance Act 1996 (holdings in unit trusts and offshore funds), to be treated as a right under a creditor relationship of a company.
- (2) This section applies to an asset which is comprised in a relevant holding (within the meaning of paragraph 4 of Schedule 10 to the Finance Act 1996) if—
 - (a) it is denominated in a currency other than sterling; and
 - (b) it is held in exempt circumstances.
- (3) For the purposes of this section—
 - (a) a unit in a unit trust scheme, or

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- (b) a right (other than a share in a company) which constitutes a relevant interest in an offshore fund,
shall be taken to be denominated in a currency other than sterling if the price at which it may be acquired from, or disposed of to, persons concerned in the management of the trust or fund is fixed by those persons in a currency other than sterling.
- (4) For the purposes of this section shares constituting a relevant interest in an offshore fund shall be taken to be denominated in a currency other than sterling if their nominal value is expressed in such a currency.
- (5) The provisions specified in subsection (6) below, so far as they require a disposal to be treated as a disposal on which neither a gain nor a loss accrues, shall not apply to any disposal in relation to which this section applies.
- (6) The provisions referred to in subsection (5) above are—
(a) sections 139, 140A, 171 and 172 of this Act; and
(b) section 486(8) of the Taxes Act.
- (7) Paragraph 3 of Schedule 17 to the ^{M5}Finance Act 1993 shall have effect for construing the reference in subsection (2)(b) above to exempt circumstances as if references to a currency were references to the asset in question.
- (8) Paragraph 7 of Schedule 10 to the Finance Act 1996 shall apply for construing any reference in this section to a relevant interest in an offshore fund as it applies for the purposes of paragraph 4 of that Schedule.”

Marginal Citations

- M4** 1993 c. 34.
M5 1993 c. 34.

^{F31}63

Textual Amendments

- F31** Sch. 14 para. 63 repealed (with effect in accordance with Sch. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(10\)](#)

64 In section 251 of that Act (exclusion for debts that are not debts on a security), after subsection (6) there shall be inserted the following subsections—

- “(7) Where any instrument specified in subsection (8) below is not a security (as defined in section 132), that instrument shall be deemed to be such a security for the purposes of this section, other than the purposes of determining what is or is not an allowable loss in any case.
- (8) The instruments mentioned in subsection (7) above are—
(a) any instrument that would fall to be treated for the purposes of this Act as an asset representing a loan relationship of a company if the provisions of sections 92(4) and 93(4) of the Finance Act 1996 (convertible securities and assets linked to the value of chargeable assets) were disregarded; or

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- (b) any instrument which (even apart from those provisions) is not a loan relationship of a company but which would be a relevant discounted security for the purposes of Schedule 13 to that Act if paragraph 3(2)(c) of that Schedule (excluded indexed securities) were omitted.”
- 65 In section 253(3) of that Act (relief for loans to traders), in the words after paragraph (c), at the beginning there shall be inserted—
“then, to the extent that that amount is not an amount which, in the case of the claimant, falls to be brought into account as a debit given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships),”.
- 66 (1) In section 254 of that Act (relief for debts on qualifying corporate bonds), in subsection (1)(c), after “bond” there shall be inserted “ but is not a relevant discounted security for the purposes of Schedule 13 to the Finance Act 1996 ”.
(2) After subsection (12) of that section there shall be inserted the following subsection—
“(13) This section does not apply for the purposes of corporation tax.”

The Finance Act 1993 (c. 34)

67 F32

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Textual Amendments
F32 Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(10)

68 F33

.....

Textual Amendments
F33 Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(10)

69 F34

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70 F35

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Textual Amendments
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71 F36

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 14. (See end of Document for details)

Textual Amendments

F36 Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(10)

72 F37

Textual Amendments

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73 F38

Textual Amendments

F38 Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(10)

74 F39

Textual Amendments

F39 Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(10)

The Finance Act 1994 (c. 9)

75 F40

Textual Amendments

F40 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

76 F41

Textual Amendments

F41 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

77 F42

Textual Amendments

F42 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 14. (See end of Document for details)

78 F43

Textual Amendments

F43 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

79 F44

Textual Amendments

F44 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 14.