

SCHEDULES

SCHEDULE 25

LOAN RELATIONSHIPS

PART 1

AMENDMENTS OF THE FINANCE ACT 1996

Provision continuing to be made on accruals basis after company ceases to be party

16 At the end of section 103 (interpretation) insert—

“(6) Where—

- (a) a company ceases to be a party to a loan relationship in an accounting period (the “cessation period”),
- (b) profits, gains or losses arise to the company from the loan relationship or a related transaction in that accounting period, and
- (c) the credits or debits brought into account for the purposes of this Chapter for that accounting period do not include credits or debits which represent the whole of those profits, gains or losses,

credits or debits in respect of so much of those profits, gains or losses as are not represented by credits or debits brought into account for the cessation period shall continue to be brought into account under this Chapter over one or more subsequent accounting periods (“post-cessation periods”) as in the case of a loan relationship to which the company is a party in those periods, and subsections (7) and (8) below shall apply.

(7) In any case falling within subsection (6) above, any question—

- (a) whether, in a post-cessation period, the company is to any extent a party to the loan relationship—
 - (i) for the purposes of a trade carried on by it, or
 - (ii) for any other particular purpose or purposes, or
- (b) whether, in a post-cessation period, the loan relationship is to any extent referable to a particular business, or a particular class, category or description of business, carried on by the company,

shall be determined by reference to the circumstances immediately before the company ceased to be a party to the loan relationship instead of the circumstances in the post-cessation period.

(8) In any case falling within subsection (6) above, any question—

- (a) whether the loan relationship has to any extent a particular purpose in a post-cessation period, or
- (b) whether there is a connection between the company and any other person for a post-cessation period,

Status: This is the original version (as it was originally enacted).

shall be determined by reference to the circumstances in the cessation period instead of the circumstances in the post-cessation period.”.