

SCHEDULES

SCHEDULE 25

LOAN RELATIONSHIPS

PART 3

TRANSITIONAL PROVISIONS

Interpretation

- 61 In this Part of this Schedule—
- “new accounting period” means an accounting period beginning on or after 1st October 2002;
 - “old accounting period” means an accounting period beginning before 1st October 2002.

Discounted securities where companies have a connection

- 62 Where—
- (a) in consequence of the amendments made by paragraph 33 above, the condition in sub-paragraph (1)(c) of paragraph 17 of Schedule 9 to the Finance Act 1996 (connection between issuing company and other company) is satisfied as respects a new accounting period of the issuing company, but
 - (b) that condition would not have been satisfied had the accounting period been an old accounting period, and
 - (c) the debtor relationship in question is a debtor relationship of the issuing company on the first day of its first new accounting period,
- that paragraph shall not have effect in relation to that debtor relationship.

Discounted securities of close companies

- 63 (1) This paragraph applies in any case where—
- (a) by virtue of paragraph 18 of Schedule 9 to the Finance Act 1996 an amount (“the deferred amount”) is not brought into account by a company for the purposes of Chapter 2 of Part 4 of that Act in respect of a debtor relationship for an old accounting period; and
 - (b) the relevant discounted security concerned has not been redeemed before the beginning of the company’s first new accounting period.
- (2) As regards any new accounting period, paragraph 18(2) of that Schedule shall be taken to have had effect in relation to the old accounting period as if, instead of preventing the bringing of amounts into account for any accounting period before that in which the security is redeemed, it had provided for the deferred amount to

Status: This is the original version (as it was originally enacted).

be brought into account for the accounting period in which the security is redeemed instead of for the old accounting period.

Authorised unit trusts and open-ended investment companies

64 (1) Where—

- (a) an amount of interest under a creditor relationship of an authorised unit trust or open-ended investment company is paid to the trust or company,
- (b) the amount paid is not interest which, in the case of the trust or company, was brought into account for the purposes of corporation tax for an old accounting period,
- (c) the amount paid is not interest in relation to which any credit falls (apart from under this sub-paragraph) to be brought into account for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 (c. 8) (loan relationships) in the case of the trust or company, and
- (d) the amount paid is not an amount of interest which, in relation to a transfer before the first new day, was unrealised interest within the meaning of section 716 of the Taxes Act 1988,

credits shall be brought into account for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 in the case of the trust or company as if the amount paid were interest accruing, and becoming due and payable, at the time when it is paid.

(2) Where, apart from Chapter 2 of Part 4 of the Finance Act 1996, any authorised unit trust or open-ended investment company would be treated under subsection (2) or (4) of section 714 of the Taxes Act 1988 (treatment of deemed sums and reliefs under accrued income scheme)—

- (a) as receiving any amount at the end of a period beginning before, and ending during, the trust or company's first new accounting period, or
- (b) as entitled to any allowance of any amount in such a period,

that amount shall be brought into account as a non-trading credit or, as the case may be, a non-trading debit given for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 for the trust or company's first new accounting period.

(3) Where—

- (a) an authorised unit trust or open-ended investment company holds a relevant discounted security on the last old day,
- (b) the security was not transferred or redeemed on that day, and
- (c) there is an amount which, if the trust or company had made a transfer of that security on that day, by selling it for its adjusted closing value,—
 - (i) would have been charged under paragraph 1 of Schedule 13 to the Finance Act 1996 to tax under Case III or IV of Schedule D, or
 - (ii) would have been eligible for relief from tax on a claim for the purposes of paragraph 2 of that Schedule,

that amount shall be brought into account as a non-trading credit, or (as the case may be) a non-trading debit, given for the purposes of Chapter 2 of Part 4 of that Act for the accounting period mentioned in sub-paragraph (4) below.

(4) That period is the accounting period in which falls whichever is the earliest of the following, that is to say,—

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

- (a) the first day that falls after the last old day and is a day on which, under the terms on which the security was issued, the holder of the security is entitled to require it to be redeemed;
 - (b) the day on which the security is redeemed; or
 - (c) the day on which the trust or company makes a disposal of the security.
- (5) For the purposes of sub-paragraph (3)(c), the “adjusted closing value” of a relevant discounted security held by the trust or company on the last old day is the amount which for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 (c. 8) is the opening value, as at the first new day, of the trust or company’s rights and liabilities under the relationship represented by that security.
- (6) Sub-paragraph (7) of paragraph 5 of Schedule 15 to the Finance Act 1996 (determination of opening value where accruals basis of accounting is used) applies for the purposes of sub-paragraph (5) as it applies for the purposes of that paragraph, but—
 - (a) taking the reference to 1st April 1996 as a reference to the first new day; and
 - (b) applying paragraph 4 of that Schedule (determination of amounts treated as accruing on or after 1st April 1996) for these purposes with the same modification.
- (7) In sub-paragraphs (3) to (6)—
 - “redeem” shall be construed in accordance with Schedule 13 to the Finance Act 1996 (discounted securities: income tax provisions);
 - “relevant discounted security” has the same meaning as in that Schedule;
 - “transfer” has the same meaning as in that Schedule.
- (8) In this paragraph—
 - “creditor relationship” has the same meaning as in Chapter 2 of Part 4 of the Finance Act 1996;
 - “the first new day” means the first day of the trust or company’s first new accounting period;
 - “the last old day” means the last day of the trust or company’s last old accounting period;
 - “the trust or company” means the authorised unit trust or open-ended investment company in question.