



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 7

TAXABLE BENEFITS: LOANS

Supplementary provisions relating to taxable cheap loans

186 Replacement loans

- (1) This section applies where an employment-related loan (“the original loan”) is replaced, directly or indirectly, by—
 - (a) a further employment-related loan, or
 - (b) a loan which is not an employment-related loan but which in turn is, in the same tax year or within 40 days after the end of the tax year, replaced, directly or indirectly, by a further employment-related loan.
- (2) In such a case, for the purposes of calculating the cash equivalent of the benefit of the original loan under section 175(3), section 182 (normal method of calculating interest at the official rate) applies as if the replacement loan, or each of the replacement loans, were the same loan as the original loan.
- (3) Where section 182 is applied as modified by subsection (2) then for the purposes of section 175(3)(b) the amount of interest actually paid on the loan for the tax year in question is the total of—
 - (a) the amount of interest actually paid on the original loan for that year, and

Status: *This is the original version (as it was originally enacted).*

- (b) the amount of interest actually paid on the replacement loan or on each of the replacement loans for that year.
- (4) In this section a “further employment-related loan” means a loan which is an employment-related loan made in relation to—
 - (a) the same or other employment with the person who is the employer in relation to the original loan, or
 - (b) employment with a person who is connected with that employer.