

# CORPORATION TAX ACT 2009

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### **Part 5: Loan Relationships**

##### **Overview**

##### *Chapter 11: Other special kinds of company*

##### **Overview**

1203. This Chapter provides rules for determining the profits and losses on the loan relationships of particular types of companies: investment trusts, venture capital trusts and credit unions.

##### *Section 395: Investment trusts: profits or losses of a capital nature*

1204. This section excludes profits and losses of a capital nature on loan relationships from being taken into account by an investment trust. It is based on paragraph 1A of Schedule 10 to FA 1996 and the [Investment Trusts and Venture Capital Trusts \(Definition of Capital Profits, Gains or Losses\) Order 2006 \(SI 2006/1182\)](#). Before FA 1996 investment trusts were treated as exempt from profits arising on the disposal of investments and that position was preserved by the loan relationships regime.

1205. *Subsections (2) and (3)* rewrite article 3 of [SI 2006/1182](#) rather than referring to the appropriate SI as does paragraph 1A(3).

1206. *Subsection (5)* allows orders to be made for “such incidental, supplemental, consequential and transitional provision and savings”. This is the standard formulation in this Act for the additional amendments that can be introduced under an order and regulation-making power. It is not considered a change in the law.

##### *Section 396: Venture capital trusts: profits or losses of a capital nature*

1207. This section excludes profits and losses of a capital nature on loan relationships from being taken into account by a venture capital trust. It is based on paragraphs 1B and 9(1) of Schedule 10 to FA 1996 and the [Investment Trusts and Venture Capital Trusts \(Definition of Capital Profits, Gains or Losses\) Order 2006 \(SI 2006/1182\)](#). Before FA 1996 venture capital trusts were treated as exempt from tax on profits arising from the disposal of investments and that position was preserved in the loan relationships regime.

1208. *Subsections (2) and (3)* rewrite article 3 of [SI 2006/1182](#) rather than referring to the SI as does paragraph 1B(3).

1209. *Subsection (5)* allows orders to be made for “such incidental, supplemental, consequential and transitional provision and savings”. This is the standard formulation in this Act for the additional amendments that can be introduced under an order and regulation-making power. It is not considered a change in the law.

*These notes refer to the Corporation Tax Act 2009  
(c.4) which received Royal Assent on 26 March 2009*

***Section 397: Credit unions***

1210. This section provides that credits and debits on loan relationships of credit unions with union members are not brought into account under this Part. It is based on section 487(1), (2) and (3A) of ICTA.