



# Corporation Tax Act 2009

## 2009 CHAPTER 4

### PART 5

#### LOAN RELATIONSHIPS

#### CHAPTER 4

##### CONTINUITY OF TREATMENT ON TRANSFERS WITHIN GROUPS OR ON REORGANISATIONS

*Continuity of treatment: transfer of loan at notional carrying value*

#### **340 Group transfers and transfers of insurance business: transfer at notional carrying value**

- (1) This section applies in the cases mentioned in—
  - (a) section 336 (transfers of loans on group transactions), and
  - (b) section 337 (transfers of loans on insurance business transfers).
- (2) The credits and debits to be brought into account for the purposes of this Part in respect of the loan relationship referred to in section 336(1)(b) or section 337(1)(b) are determined in accordance with subsections (3) to (5).
- (3) For the accounting period in which the transaction or, as the case may be, the first of the series of transactions takes place, the transferor is treated as having entered into that transaction for consideration of an amount equal to the notional carrying value of the asset or liability representing the relationship (see subsection (6)).
- (4) For any accounting period in which the transferee is a party to the relationship, it is treated as if it had acquired the asset or liability representing the relationship for consideration of an amount equal to its notional carrying value.
- (5) If a discount arises in respect of the transaction or series of transactions, the consideration is increased for the purposes of subsection (3) (but not subsection (4)) by the amount of the discount.

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- (6) For the purposes of this section—
- <sup>F1</sup>(a) .....
  - (b) section 480(5) (when discount arises) applies as it applies for the purposes of section 480, and
  - (c) “notional carrying value”, in relation to an asset or liability, means the amount which would have been [<sup>F2</sup>its tax-adjusted carrying value based on] the accounts of the transferor if a period of account had ended immediately before the date when the transferor ceased to be a party to the loan relationship.
- (7) [<sup>F3</sup>Part 4 of TIOPA 2010] (provision not at arm's length) does not apply in relation to the amounts in respect of which credits or debits are to be brought into account under this section.
- (8) This section is subject to sections 332 and 341.

#### Textual Amendments

- F1** S. 340(6)(a) omitted (with effect in accordance with Sch. 7 Pt. 6 of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 7 para. 25\(a\)](#)
- F2** Words in s. 340(6)(c) substituted (with effect in accordance with Sch. 7 Pt. 6 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 7 para. 25\(b\)](#)
- F3** Words in s. 340(7) substituted (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. 8 para. 126](#) (with [Sch. 9 paras. 1-9, 22](#))

### 341 Transferor using fair value accounting

- (1) This section applies instead of section 340 if, in a case where that section would otherwise apply, the transferor is regarded for the purposes of this section as using fair value accounting in respect of the loan relationship (see subsection (5)).
- (2) The amount which is to be brought into account by the transferor in respect of the transaction or the series of transactions referred to in section 340(3) (“the transferor's amount”) is—
- (a) if an asset is to be brought into account, its fair value as at the date when the transferee becomes party to the loan relationship, or the fair value of the rights under or interest in it as at that date, and
  - (b) if a liability is to be brought into account, its fair value as at that date.
- (3) For any accounting period in which the transferee is a party to the loan relationship, for the purpose of determining the credits and debits to be brought into account in respect of the relationship for the purposes of this Part, the transferee is treated as if it had acquired the asset or liability representing the relationship for consideration of an amount equal to the transferor's amount.
- (4) If a discount arises in respect of the transaction or series of transactions, the transferor's amount is increased for the purposes of subsection (2) (but not subsection (3)) by the amount of the discount.
- (5) The transferor is regarded for the purposes of this section as using fair value accounting in respect of the loan relationship only if the credits and debits to be brought into

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account for the purposes of this Part as respects the relationship are determined on that basis.

- (6) It does not matter for the purposes of subsection (5) if the transferor does not otherwise use fair value accounting in respect of the loan relationship.
- (7) For the purposes of this section, section 480(5) (when discount arises) applies as it applies for the purposes of section 480.
- (8) This section is subject to section 332.

### 342 Issues of new securities on reorganisations: disposal at notional carrying value

- (1) This section applies in the case mentioned in section 339.
- (2) For the purposes of this Part such debits and credits are to be brought into account as would be brought into account if the exchange were a disposal of the asset representing the loan relationship referred to in section 339(3) for consideration of an amount equal to its notional carrying value.
- (3) For the purposes of this section, the notional carrying value of that asset is the amount that would have been [<sup>F4</sup>its tax-adjusted carrying value based on] the accounts of the receiving company if a period of account had ended immediately before the date when the exchange occurred.
- (4) In this section—
  - <sup>F5</sup> ...
 “receiving company” has the meaning given in section 339(7).
- (5) This section is subject to section 343.

#### Textual Amendments

- F4** Words in s. 342(3) substituted (with effect in accordance with Sch. 7 Pt. 6 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 7 para. 26\(2\)](#)
- F5** Words in s. 342(4) omitted (with effect in accordance with Sch. 7 Pt. 6 of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 7 para. 26\(3\)](#)

### 343 Receiving company using fair value accounting

- (1) This section applies instead of section 342 if, in a case where that section would otherwise apply, the receiving company is regarded for the purposes of this section as using fair value accounting in respect of the loan relationship constituting or included in the original shares.
- (2) The amount which is to be brought into account by the receiving company in respect of the exchange (“the disposal amount”) is the fair value of the asset representing the loan relationship as at the date when the exchange occurred, or of the rights under or interest in that relationship as at that date.
- (3) For any accounting period in which company B is a party to the loan relationship, for the purpose of determining the credits and debits to be brought into account in respect of the relationship for the purposes of this Part, company B is treated as if it

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had acquired the asset representing the relationship for consideration of an amount equal to the disposal amount.

- (4) Subsections (5) and (6) of section 341 apply for the purposes of this section as they apply for the purpose of that section, taking references in that section to the transferor as references to the receiving company.
- (5) In this section “company B”, “original shares” and “receiving company” have the meaning given in section 339(7).

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)