



Corporation Tax Act 2009

2009 CHAPTER 4

PART 5

LOAN RELATIONSHIPS

CHAPTER 5

CONNECTED COMPANIES RELATIONSHIPS: INTRODUCTION AND GENERAL

348 Introduction: meaning of “connected companies relationship”

- (1) This Chapter contains some general rules relating to connected companies relationships.
- (2) For the purposes of this Part a debtor relationship of a company is a connected companies relationship if there is a connection between—
 - (a) the company, and
 - (b) another company standing in the position of a creditor as respects the debt in question.
- (3) For the purposes of subsection (2) a company is treated as standing in the position of a creditor if it indirectly stands in that position by reference to a series of loan relationships or relevant money debts.
- (4) For the purposes of this Part a creditor relationship of a company is a connected companies relationship if there is a connection between—
 - (a) the company, and
 - (b) another company standing in the position of a debtor as respects the debt in question.
- (5) For the purposes of subsection (4) a company is treated as standing in the position of a debtor if it indirectly stands in that position by reference to a series of loan relationships or relevant money debts.

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)

- (6) For the purposes of this Part, if a loan relationship is a connected companies relationship at any time in an accounting period, it is treated as being such a relationship for the period.
- (7) In this section “relevant money debt” means a money debt which would be a loan relationship if a company directly stood in the position of creditor or debtor.
- (8) Section 466 (companies connected for an accounting period) applies for the purposes of this section.

349 Application of amortised cost basis to connected companies relationships

- (1) This section applies if a loan relationship is a connected companies relationship for an accounting period.
- (2) The credits and debits which are to be brought into account for the purposes of this Part in respect of the relationship for the period are determined on an amortised cost basis of accounting.
- (3) Subsection (2) does not apply if section 454(4) (which requires fair value accounting to be applied to reset bonds etc) applies.
- (4) See also section 534(8) (which disapplies this section where the requirement to apply fair value accounting under section 534(1) applies).

350 Companies beginning to be connected

- (1) This section applies if—
 - (a) a company's loan relationship becomes a connected companies relationship, and
 - (b) as a result of the application of section 349 the company—
 - (i) brings into account credits or debits determined in accordance with fair value accounting for one accounting period (“the earlier period”), and
 - (ii) brings into account credits or debits determined in accordance with an amortised cost basis of accounting for the next accounting period (“the later period”).
- (2) If—
 - (a) the fair value of a relevant asset at the end of the earlier period (“FVA”), exceeds
 - (b) the cost of the asset which would be given at that time on an amortised cost basis of accounting (“ACA”),
 the excess must be brought into account for the later period as a debit for the purposes of this Part.
- (3) If ACA exceeds FVA, the excess must be brought into account for the later period as a credit for the purposes of this Part.
- (4) If—
 - (a) the fair value of a relevant liability at the end of the earlier period (“FVL”), exceeds

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)

(b) the cost of the liability which would be given at that time on an amortised cost basis of accounting (“ACL”),

the excess must be brought into account for the later period as a credit for the purposes of this Part.

(5) If ACL exceeds FVL, the excess must be brought into account for the later period as a debit for the purposes of this Part.

351 Companies ceasing to be connected

(1) This section applies if—

(a) a company's loan relationship ceases to be a connected companies relationship, and

(b) as a result of section 349 ceasing to apply the company—

(i) brings into account credits or debits determined in accordance with an amortised cost basis of accounting for one accounting period (“the earlier period”), and

(ii) brings into account credits or debits determined in accordance with a fair value basis of accounting for the next accounting period (“the later period”).

(2) If—

(a) the fair value of a relevant asset at the end of the earlier period (“FVA”), exceeds

(b) the cost of the asset which would be given at that time on an amortised cost basis of accounting (“ACA”),

the excess must be brought into account for the later period as a credit for the purposes of this Part.

(3) If ACA exceeds FVA, the excess must be brought into account for the later period as a debit for the purposes of this Part.

(4) If—

(a) the fair value of a relevant liability at the end of the earlier period (“FVL”), exceeds

(b) the cost of the liability which would be given at that time on an amortised cost basis of accounting (“ACL”),

the excess must be brought into account for the later period as a debit for the purposes of this Part.

(5) If ACL exceeds FVL, the excess must be brought into account for the later period as a credit for the purposes of this Part.

352 Disregard of related transactions

(1) This section applies in an accounting period if—

(a) section 349 applies in respect of a creditor relationship of a company for the period, and

(b) a related transaction takes place in relation to the relationship in the period.

(2) The credits brought into account in respect of the relationship for the period for the purposes of this Part must not be less than they would have been if—

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)

- (a) the transaction had not taken place, and
 - (b) no amounts had accrued after the transaction took place.
- (3) The debits brought into account in respect of the loan relationship for the period for the purposes of this Part must not be more than they would have been in that case.
- (4) Nothing in this section affects the credits or debits to be brought into account for the purposes of this Part in respect of exchange gains or losses arising from a debt.

Status:

Point in time view as at 01/04/2009.

Changes to legislation:

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations.