



Corporation Tax Act 2009

2009 CHAPTER 4

PART 5

LOAN RELATIONSHIPS

CHAPTER 6

CONNECTED COMPANIES RELATIONSHIPS: IMPAIRMENT LOSSES AND RELEASES OF DEBTS

Exclusion of debits for impaired or released connected companies debts

354 Exclusion of debits for impaired or released connected companies debts

- (1) The general rule is that no impairment loss or release debit in respect of a company's creditor relationship is to be brought into account for the purposes of this Part for an accounting period if section 349 (application of amortised cost basis to connected companies relationship) applies to the relationship for the period.
- (2) That rule is subject to—
 - (a) section 356 (swapping debt for equity), and
 - (b) section 357 (insolvent creditors).

[^{F1}(2A) Where the carrying value of an asset representing the creditor relationship has at any time been adjusted as a result of the asset being the hedged item under a designated fair value hedge, the rule in subsection (1) does not prevent a credit or debit being brought into account for the purposes of this Part in respect of any reversal of that adjustment.]

- (3) Nothing in this section affects the debits to be brought into account for the purposes of this Part in respect of exchange gains or losses arising from a debt.

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Textual Amendments

- F1** S. 354(2A) inserted (with effect in accordance with Sch. 7 Pt. 6 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 7 para. 32](#)

355 Cessation of connection

- (1) This section applies if, in the case of a creditor relationship of a company—
 - (a) an impairment loss or release debit is excluded by section 354 from being brought into account for any accounting period, and
 - (b) there is a later accounting period for which the creditor relationship in respect of the debt is not a connected companies relationship.
- (2) So far as any amount represents the impairment loss or release debit, no debit may be brought into account in respect of it—
 - (a) for the first accounting period within subsection (1)(b), or
 - (b) for any subsequent such accounting period.

356 Exception to section 354: swapping debt for equity

- (1) An impairment loss or release debit in relation to a liability to pay any amount to a company (“the creditor company”) under its creditor relationship is not prevented from being brought into account by section 354 if conditions A, B and C are met.
- (2) Condition A is that the creditor company treats the liability as discharged.
- (3) Condition B is that it does so in consideration of—
 - (a) any shares forming part of the ordinary share capital of the company on which the liability would otherwise have fallen, or
 - (b) any entitlement to such shares.
- (4) Condition C is that there would be no connection between the two companies for the accounting period in which the consideration is given if the question whether there is such a connection were determined by reference only to times before the creditor company—
 - (a) acquired possession of the shares, or
 - (b) acquired any entitlement to them.

357 Exception to section 354: insolvent creditors

- (1) An impairment loss or release debit is not prevented from being brought into account by section 354 in relation to an amount accruing to a company (“the creditor”) if—
 - (a) condition A, B, C, D or E is met in relation to the creditor, and
 - (b) the amount accrues to the creditor at a time which is the relevant time for the condition in question.
- (2) Condition A is that the creditor is in insolvent liquidation, and for this condition the relevant time is any time in the course of the winding up.
- (3) Condition B is that the creditor is in insolvent administration, and for this condition the relevant time is any time in the course of the administration.

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- (4) Condition C is that the creditor is in insolvent administrative receivership, and for this condition the relevant time is any time when the appointment of the administrative receiver is in force.
- (5) Condition D is that an appointment of a provisional liquidator is in force in relation to the creditor under section 135 of the Insolvency Act 1986 (c. 45) or Article 115 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), and for this condition the relevant time is any time when the appointment is in force.
- (6) Condition E is that under the law of a country or territory outside the United Kingdom, circumstances exist corresponding to those described in condition A, B, C or D, and for this condition the relevant time is any time corresponding to that described in the case of the condition in question.
- (7) Section 323 applies for interpreting this section as it applies for interpreting section 322(6).

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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](#)