



Corporation Tax Act 2009

2009 CHAPTER 4

PART 5

LOAN RELATIONSHIPS

CHAPTER 12

SPECIAL RULES FOR PARTICULAR KINDS OF SECURITIES

Deeply discounted securities: connected companies and close companies

410 Exceptions to section 409

- (1) Section 409 does not apply for any accounting period (“the relevant period”) if any of the following conditions are met—
 - (a) the corresponding creditor relationship conditions (see subsection (2)),
 - (b) the CIS-based close company conditions (see subsection (3)), or
 - (c) the CIS limited partnership conditions (see subsection (4)).
- (2) The corresponding creditor relationship conditions are that—
 - (a) at all times in the relevant period when there is a person within section 409(1)(b), that person is a company, and
 - (b) credits representing the full amount of the discount that is referable to the period are brought into account for the purposes of this Part for any accounting period in respect of the corresponding creditor relationship (see section 412(3)).
- (3) The CIS-based close company conditions are that—
 - (a) the issuing company is a CIS-based close company,
 - (b) at no time in the relevant period when there is a person within section 409(1)(b) is that person resident [^{F1}for tax purposes] in a non-qualifying territory, and

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- (c) the issuing company is a small or medium-sized enterprise for the relevant period.
- (4) The CIS limited partnership conditions are that—
- (a) the debt is one which is owed to, or to persons acting for, a CIS limited partnership,
 - (b) no member of that partnership is resident [^{F2}for tax purposes] in a non-qualifying territory at any time in the relevant period when there is a person within section 409(1)(b),
 - (c) the issuing company has received written notice from the partnership containing information from which it appears that the condition in paragraph (b) is met, and
 - (d) the issuing company is a small or medium-sized enterprise for the relevant period.
- [^{F3}(4A) The non-qualifying territory condition applies if C is a company; and the non-qualifying territory condition is that C is—
- (a) resident for tax purposes in a non-qualifying territory at any time in the relevant period, or
 - (b) effectively managed in a non-taxing non-qualifying territory at any such time.]
- (5) In this section—
- “CIS-based close company” means a company that would not be a close company apart from the rights and powers of one or more partners in a CIS limited partnership being attributed to another of the partners under [^{F4}section 451(4) to (6) of CTA 2010 because of section 448(1)(a) of that Act],
- “CIS limited partnership” means a limited partnership—
- (a) which is a collective investment scheme, or
 - (b) which would be a collective investment scheme if it were not a body corporate,
- “issuing company” has the same meaning as in section 409 (see subsection (1)(a) of that section),
- “non-qualifying territory” has the meaning given by [^{F5}section 173 of TIOPA 2010] (provision not at arm's length),
- [^{F6} “resident for tax purposes” means liable, under the law of the non-qualifying territory, to tax there by reason of domicile, residence or place of management, and]
- “small or medium-sized enterprise” has the meaning given by [^{F7}section 172 of TIOPA 2010].
- [^{F8}(5A) For the purposes of this section, a non-qualifying territory is “non-taxing” if companies are not under its law liable to tax by reason of domicile, residence or place of management.]
- (6) For the meaning of “corresponding creditor relationship”, see section 412 (persons indirectly standing in the position of creditor).

Textual Amendments

- F1** Words in s. 410(3)(b) inserted (with effect in accordance with Sch. 20 para. 9 of the amending Act) by Finance Act 2009 (c. 10), **Sch. 20 para. 8(2)**

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- F2** Words in s. 410(4)(b) inserted (with effect in accordance with Sch. 20 para. 9 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 20 para. 8(2)**
- F3** S. 410(4A) inserted (with effect in accordance with Sch. 20 para. 9 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 20 para. 8(3)**
- F4** Words in s. 410(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 613** (with [Sch. 2](#))
- F5** Words in s. 410(5) 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. 131(2)** (with [Sch. 9 paras. 1-9, 22](#))
- F6** Definition in s. 410(5) substituted (with effect in accordance with Sch. 20 para. 9 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 20 para. 8(4)**
- F7** Words in s. 410(5) 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. 131(3)** (with [Sch. 9 paras. 1-9, 22](#))
- F8** S. 410(5A) inserted (with effect in accordance with Sch. 20 para. 9 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 20 para. 8(5)**

Modifications etc. (not altering text)

- C1** Ss. 406-412 excluded by [S.I. 2006/3296](#), **reg. 19(3)** (as substituted (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Taxation of Securitisation Companies \(Amendment\) Regulations 2018 \(S.I. 2018/143\)](#), regs. 1(1), **10(3)**)

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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](#)