



Corporation Tax Act 2009

2009 CHAPTER 4

PART 6

RELATIONSHIPS TREATED AS LOAN RELATIONSHIPS ETC

[^{F1}CHAPTER 6A

SHARES ACCOUNTED FOR AS LIABILITIES

[^{F1}521C Shares accounted for as liabilities

- (1) This section applies to the share if—
 - (a) the share would be accounted for by the issuing company as a liability in accordance with generally accepted accounting practice,
 - (b) the share produces for the investing company a return in relation to any amount which is economically equivalent to interest,
 - (c) the issuing company and the investing company are not connected companies,
 - (d) the condition in subsection (4) is met,
 - (e) the share is not an excepted share (see section 521D), and
 - (f) the investing company holds the share for an unallowable purpose (see section 521E).
- (2) For the purposes of this section a return produced for a company by an arrangement in relation to any amount is “economically equivalent to interest” if (and only if)—
 - (a) it is reasonable to assume that it is a return by reference to the time value of that amount of money,
 - (b) it is at a rate reasonably comparable to what is (in all the circumstances) a commercial rate of interest, and
 - (c) at the relevant time there is no practical likelihood that it will cease to be produced in accordance with the arrangement unless the person by whom it falls to be produced is prevented (by reason of insolvency or otherwise) from producing it.

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- (3) In subsection (2)(c) “ the relevant time ” means the time when the investing company first holds the share or, if later, when the share begins to produce a return for the investing company.
- (4) The condition mentioned in subsection (1)(d) is that the share does not fall to be treated for the accounting period in question as if it were rights under a creditor relationship of the investing company because of section 490 (holdings in OEICs, unit trusts and offshore funds treated as creditor relationship rights).
- (5) Section 466 (companies connected for an accounting period) applies for the purposes of this section.]

Textual Amendments

- F1** Pt. 6 Ch. 6A inserted (retrospective and with effect in accordance with Sch. 24 paras. 12, 13-16 of the commencing Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 24 para. 412**
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Modifications etc. (not altering text)

- C1** S. 521C applied by 2010 c. 8, s. 371SQ(2) (as inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 20 para. 1**)

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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](#)