



Corporation Tax Act 2010

2010 CHAPTER 4

PART 16

FACTORING OF INCOME ETC

CHAPTER 2

FINANCE ARRANGEMENTS

Type 2 arrangements

763 Type 2 finance arrangement defined

- (1) For the purposes of this Chapter an arrangement is a type 2 finance arrangement if conditions A and B are met.
- (2) Condition A is that—
 - (a) under the arrangement a person (“the transferor”) makes a disposal of an asset (“the security”) to a partnership,
 - (b) the transferor [^{F1}or a person connected with the transferor] is a member of the partnership immediately after the disposal (whether or not a member immediately before it),
 - (c) under the arrangement the partnership receives money or another asset (“the advance”) from another person (“the lender”),
 - (d) there is a relevant change in relation to the partnership (see section 764), and
 - (e) under the arrangement the share in the partnership's profits of the person involved in the change is determined by reference (wholly or partly) to payments in respect of the security.

[^{F2}(2A) For the purposes of subsection (2)(e) it does not matter if any determination of the share in the partnership's profits of the person involved in the relevant change as mentioned is subject to any condition.]

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 763. (See end of Document for details)

- (3) Condition B is that in accordance with generally accepted accounting practice—
- (a) the partnership's accounts for the period in which the advance is received record a financial liability in respect of it, and
 - (b) the payments reduce the amount of the financial liability.
- (4) The reference to the partnership's accounts includes a reference to the transferor's accounts.

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Textual Amendments

- F1** Words in s. 763(2)(b) inserted (with effect in accordance with Sch. 13 para. 42 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 39\(2\)](#)
- F2** S. 763(2A) inserted (with effect in accordance with Sch. 13 para. 42 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 39\(3\)](#)

Changes to legislation:

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