

TAXATION (INTERNATIONAL AND OTHER PROVISIONS) ACT 2010

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Schedule 2: Alternative finance arrangements

Part 3: Other amendments

794. This Part inserts new section 367A into ICTA, new section 173A into ITEPA and new sections 372A to 372D into ITA and amends section 1005 of ITA.

Section 367A of ICTA: Alternative finance arrangements

795. This section brings alternative finance arrangements within the scope of sections 353 and 365 of ICTA, which provide for relief for interest payment in certain limited circumstances. It is based on section 51(2) of FA 2005.
796. The section has been inserted here because the legislation only affects a defined group of people and will eventually be spent when there are no longer any eligible claimants.

Section 173A of ITEPA: Alternative finance arrangements

797. This section brings the effect of the alternative finance provisions into the rules for the taxation of employee benefits. It is based on section 97 of FA 2006.

Sections 372A to 372D of ITA: Community investment tax relief: alternative finance arrangements

798. These new sections modify Part 7 of ITA (community investment tax relief: income tax relief) to enable the range of permitted investments in, and by, community development finance institutions to include various Sharia'a-compliant financial products that in substance, but not in form, are equivalent to interest-bearing loans. Such products are to be treated as loans for the purposes of that Part. They correspond to sections 256 to 259 of CTA 2010 which have effect for the purposes of Part 7 of that Act (community investment tax relief: corporation tax relief).

Section 372A: Meaning of “loan” and “interest”

799. This section extends the meaning of the term “loan” in Part 7 of ITA to include purchase and resale arrangements, deposit arrangements and profit share agency arrangements and the meaning of the term “interest” to include alternative finance return under those alternative finance arrangements. It is based on section 54A(1) and (2) of FA 2005.

Section 372B: Purchase and resale arrangements

800. This section sets out how Part 7 of ITA has effect in relation to purchase and resale arrangements. It is based on section 54A(3) and (4) of FA 2005.

*These notes refer to the Taxation (International and Other Provisions)
Act 2010 (c.8) which received Royal Assent on 18 March 2010*

Section 372C: Deposit arrangements

801. This section sets out how Part 7 of ITA has effect in relation to deposit arrangements. It is based on section 54A(5) of FA 2005.

Section 372D: Profit share agency arrangements

802. This section sets out how Part 7 of ITA has effect in relation to profit share agency arrangements. It is based on section 54A(6) of FA 2005.