

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 25: Loan Relationships: Repeal of Certain Provisions Relating to Late Interest Etc

Details of the Section

2. Subsection (1) provides for Part 5 of CTA 2009 to be amended.
3. Subsection (2) omits sections 374, 377, 407 and 408 which bring certain cases within the particular rules setting out when deferred interest payable on loans and discounts on deeply discounted securities are to be brought into account for tax. Those cases are situations where companies are connected and where one party to the debt has a major interest in the other.
4. Subsections (3) and (4) make consequential amendments to sections 372. and 373.
5. Subsection (5) makes consequential amendments to section 406.
6. Subsection (6) provides that the repeal of sections 374 and 377 becomes effective from 3 December 2014 for loans entered into on or after that date. For loans which were entered into before 3 December 2014, the current treatment will continue in respect of interest accruing up to 31 December 2015.
7. Subsection (7) sets out, in similar terms, when the repeal of sections 407 and 408 becomes effective for debts entered into on or after 3 December 2014 and for those entered into before that date.
8. Subsections (8) to (14) give further detail of the arrangements for loans and securities entered into before 3 December 2014.
9. Subsection (9) provides that where a company has an accounting period straddling 1 January 2016, it is to be split for the purposes of this provision.
10. Subsections (10) and (12) provide that, if a loan or deeply discounted security entered into before 3 December 2014 is modified between 3 December 2014 and 31 December 2015, the old rules will cease to apply in respect of that loan or security from the date of the modification. Subsection (14) provides that, for this purpose, a new accounting period is deemed to commence when the modification takes effect.
11. Subsections (11) and (13) define a modification of a loan or deeply discounted security as a material change to the terms of the debt or a change in the creditor.