

---

**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

---

## SCHEDULES

### SCHEDULE 11

#### EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES: LOANS ETC OUTSTANDING ON 5 APRIL 2019

##### PART 1

##### APPLICATION OF PART 7A OF ITEPA 2003

##### *Relevant step*

- 1 (1) A person (“P”) is treated as taking a relevant step for the purposes of Part 7A of ITEPA 2003 if—
- (a) P has made a loan, or a quasi-loan, to a relevant person,
  - (b) the loan or quasi-loan was made on or after [<sup>F1</sup>9 December 2010], and
  - (c) an amount of the loan or quasi-loan is outstanding immediately before the end of 5 April 2019.
- (2) P is treated as taking the step immediately [<sup>F2</sup>before the end of 5 April 2019.]
- (3) Where P is treated by this paragraph as taking a relevant step, references to “the relevant step” in [<sup>F3</sup>sections 554A(1)(e)(i) and (ii) and 554AA(1)(h)(i) and (ii)] of ITEPA 2003 have effect as if they were references to the step of making the loan or, as the case may be, quasi-loan.
- (4) For the purposes of section 554Z3(1) of ITEPA 2003 (value of relevant step), the step is to be treated as involving a sum of money equal to the amount of the loan or quasi-loan that is outstanding at the time P is treated as taking the step.
- (5) Subsections (2) and (3) of section 554C of ITEPA 2003 (“relevant person”) apply for the purposes of this Schedule as they apply for the purposes of that section.
- (6) [<sup>F4</sup>Sub-paragraphs (1) and (2) are] subject to paragraphs 23 and 24 (accelerated payments) [<sup>F5</sup>and paragraph 36A (double taxation: close companies)].
- [<sup>F6</sup>(6A) Sub-paragraph (4) is subject to paragraph 1A(5).]
- (7) For the purposes of this paragraph [<sup>F7</sup>and paragraph 1A], whether an amount of a loan or quasi-loan is outstanding at a particular time—
- (a) is to be determined in accordance with [<sup>F8</sup>paragraphs 3 to 18], and
  - (b) does not depend on the loan or quasi-loan subsisting at that time.
- (8) References in this Schedule and in Part 7A of ITEPA 2003 to a relevant step within paragraph 1 of this Schedule are to be read as references to a relevant step which a person is treated by this paragraph as taking.

*Changes to legislation:* There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

### Textual Amendments

- F1** Words in Sch. 11 para. 1(1)(b) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\), s. 15\(1\)](#)
- F2** Words in Sch. 11 para. 1(2) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\), Sch. 2 para. 2](#)
- F3** Words in Sch. 11 para. 1(3) substituted (15.3.2018) by [Finance Act 2018 \(c. 3\), Sch. 1 para. 8\(2\)\(a\)](#)
- F4** Words in Sch. 11 para. 1(6) substituted (15.3.2018) by [Finance Act 2018 \(c. 3\), Sch. 1 para. 8\(2\)\(b\)\(i\)](#)
- F5** Words in Sch. 11 para. 1(6) inserted (15.3.2018) by [Finance Act 2018 \(c. 3\), Sch. 1 para. 8\(2\)\(b\)\(ii\)](#)
- F6** Sch. 11 para. 1(6A) inserted (22.7.2020) by [Finance Act 2020 \(c. 14\), s. 16\(2\)\(a\)](#)
- F7** Words in Sch. 11 para. 1(7) inserted (22.7.2020) by [Finance Act 2020 \(c. 14\), s. 16\(2\)\(b\)\(i\)](#)
- F8** Words in Sch. 11 para. 1(7)(a) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\), s. 16\(2\)\(b\)\(ii\)](#)

[<sup>F9</sup>1A (1) This paragraph applies where—

- (a) a person (“P”) is treated as taking a relevant step within paragraph 1 (“the initial step”) by reason of making a loan or quasi-loan, and
  - (b) an election has been made by A for the purposes of this paragraph.
- (2) P is treated as taking two further relevant steps for the purposes of Part 7A of ITEPA 2003.
- (3) P is treated as taking one of the further steps on the first anniversary of the date on which P is treated as taking the initial step.
- (4) P is treated as taking one of the further steps on the second anniversary of the date on which P is treated as taking the initial step.
- (5) For the purposes of section 554Z3(1) of ITEPA 2003 (value of relevant step), the initial step and each of the further steps is to be treated as involving a sum of money equal to one third of the amount of the loan or quasi-loan that is outstanding at the time P is treated as taking the initial step.
- (6) References in this Schedule and in Part 7A of ITEPA 2003 to a relevant step within paragraph 1A of this Schedule are to be read as references to a relevant step which a person is treated by this paragraph as taking.
- (7) An election for the purposes of this paragraph—
- (a) may be made at any time before 1 October 2020, and
  - (b) may be made at a later time if an officer of Revenue and Customs allows it.
- (8) But a person who is under a duty imposed by paragraph 35C of this Schedule or paragraph 22 of Schedule 12 may not make an election for the purposes of this paragraph until that duty has been complied with.
- (9) An election for the purposes of this paragraph may not be revoked.
- (10) A person who has made an election for the purposes of paragraph 1(3A) of Schedule 12 is to be treated as having made an election for the purposes of this paragraph.
- (11) The Commissioners for Her Majesty’s Revenue and Customs may by regulations provide that sub-paragraph (7)(a) applies to a specified class of persons as if the reference to 1 October 2020 were to such later date as is specified.
- (12) In sub-paragraph (11) “specified” means specified in the regulations.]

---

**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

---

### Textual Amendments

**F9** Sch. 11 para. 1A inserted (22.7.2020) by [Finance Act 2020 \(c. 14\), s. 16\(3\)](#)

<sup>F10</sup>1B (1) This paragraph applies where—

- (a) a person is treated as taking a relevant step within paragraph 1 by reason of making a loan or quasi-loan,
- (b) a reasonable case could have been made that for a qualifying tax year (“the relevant year”) A was chargeable to income tax on an amount that was referable to the loan or quasi-loan,
- (c) at a time when an officer of Revenue and Customs had power to recover (from A or any other person) income tax for the relevant year in respect of that amount, a qualifying tax return or two or more qualifying tax returns of the same type taken together contained a reasonable disclosure of the loan or quasi-loan, and
- (d) as at 6 April 2019 an officer of Revenue and Customs had not taken steps to recover (from A or any other person) income tax for the relevant year in respect of that amount.

(2) But this paragraph does not apply if—

- (a) a reasonable case could have been made that for a tax year other than the relevant year (“the alternative year”) A was chargeable to income tax on an amount within sub-paragraph (3), and
- (b) it is the case that—
  - (i) on or before 5 April 2019 an officer of Revenue and Customs took steps to recover (from A or any other person) income tax for the alternative year in respect of that amount, or
  - (ii) the alternative year is not a qualifying tax year.

(3) An amount is within this sub-paragraph if —

- (a) it is the same amount as is mentioned in sub-paragraph (1),
- (b) it is part of the amount mentioned in sub-paragraph (1), or
- (c) it is derived from or represents the whole or part of the amount mentioned in sub-paragraph (1).

(4) Where this paragraph applies, then for the purposes of paragraphs 1(4) and 1A(5) the amount of the loan or quasi-loan that is outstanding is to be taken to be reduced (but not below nil) by the amount mentioned in sub-paragraph (1).

(5) For the purposes of sub-paragraph (1)(c) a qualifying tax return, or two or more qualifying tax returns taken together, contained a reasonable disclosure of the loan or quasi-loan if the return or returns taken together—

- (a) identified the loan or quasi-loan,
- (b) identified the person to whom the loan or quasi-loan was made in a case where the loan or quasi-loan was made to a person other than A,
- (c) identified the relevant arrangements in pursuance of which or in connection with which the loan or quasi-loan was made, and
- (d) provided such other information as was sufficient for it to be apparent that a reasonable case could be made that for the relevant year A was chargeable to income tax on an amount that was referable to the loan or quasi-loan.

*Changes to legislation:* There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (6) A reference in sub-paragraph (1)(b), (2) or (5)(d) to A being chargeable to income tax does not include A being chargeable to income tax by reason of section 175 of ITEPA 2003 (benefit of taxable cheap loan treated as earnings).
- (7) In this paragraph—
- “qualifying tax year” means the tax year 2015-16 and any earlier tax year, and
- “qualifying tax return” means —
- (a) a return made by A or B under section 8 of TMA 1970 for a qualifying tax year, and any accompanying accounts, statements or documents, or
- (b) a return made by B under paragraph 3 of Schedule 18 to FA 1998 for an accounting period that commenced before 6 April 2016,
- and a qualifying tax return is of the same type as another if both fall within the same paragraph of this definition.]

#### Textual Amendments

**F10** Sch. 11 para. 1B inserted (22.7.2020) by Finance Act 2020 (c. 14), s. 17(1)

#### *[<sup>F11</sup>Meaning of “loan” and “quasi loan”]*

#### Textual Amendments

**F11** Sch. 11 para. 2 cross-heading substituted (22.7.2020) by Finance Act 2020 (c. 14), Sch. 2 para. 3

- 2 (1) In this Part of this Schedule “loan” includes—
- (a) any form of credit;
- (b) a payment that is purported to be made by way of a loan.
- (2) For the purposes of [<sup>F12</sup>paragraphs 1 and 1A], P makes a “quasi-loan” to a relevant person if (and when) P acquires a right (the “acquired debt”)—
- (a) which is a right to a payment or a transfer of assets, and
- (b) in respect of which the condition in sub-paragraph (3) is met.
- (3) The condition is met in relation to a right if there is a connection (direct or indirect) between the acquisition of the right and—
- (a) a payment made, by way of a loan or otherwise, to the relevant person, or
- (b) a transfer of assets to the relevant person.
- (4) Where a quasi-loan or a loan made by P to a relevant person is replaced, directly or indirectly, by a loan or another loan (the “replacement loan”), references in [<sup>F13</sup>paragraphs 1 and 1A] to the loan are references to the replacement loan.
- (5) Where a loan or a quasi-loan made by P to a relevant person is replaced, directly or indirectly, by a quasi-loan or another quasi-loan (the “replacement quasi-loan”), references in [<sup>F14</sup>paragraphs 1 and 1A] to the quasi-loan are references to the replacement quasi-loan.

<sup>F15</sup>(6) .....

**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

### Textual Amendments

- F12** Words in Sch. 11 para. 2(2) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 27\(a\)](#)  
**F13** Words in Sch. 11 para. 2(4) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 27\(b\)](#)  
**F14** Words in Sch. 11 para. 2(5) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 27\(c\)](#)  
**F15** Sch. 11 para. 2(6) omitted (22.7.2020) by virtue of [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 4](#)

### Meaning of “outstanding”: loans

- 3 (1) An amount of a loan is “outstanding” for the purposes of <sup>[F16]</sup>paragraphs 1 and 1A] if the relevant principal amount exceeds the repayment amount.
- (2) In sub-paragraph (1) “relevant principal amount”, in relation to a loan, means the total of—
- the initial principal amount lent, and
  - any sums that have become principal under the loan, otherwise than by capitalisation of interest.
- (3) In sub-paragraph (1) “repayment amount”, in relation to a loan, means the total of—
- the amount of principal under the loan that has been repaid before 17 March 2016, and
  - payments in money made by the relevant person on or after 17 March 2016 by way of repayment of principal under the loan.

### Textual Amendments

- F16** Words in [Sch. 11 para. 3\(1\)](#) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 28](#)

- 4 (1) A payment is to be disregarded for the purposes of paragraph 3(3)(b) if—
- there is any connection (direct or indirect) between the payment and a tax avoidance arrangement (other than the arrangement under which the loan was made), or
  - the payment, or a sum or asset directly or indirectly representing the payment, is the subject of a relevant step (as defined in section 554A(2) of ITEPA 2003) that is taken—
    - after the payment is made, but
    - before the end of <sup>[F17]</sup>April 2019].
- (2) But a payment is not to be disregarded under sub-paragraph (1)(b) if, by the end of <sup>[F18]</sup>April 2019], each relevant tax liability has been paid in full.
- (3) For the purposes of this paragraph, each of the following is a “relevant tax liability”—
- any liability for income tax arising by virtue of the application of Chapter 2 by reason of the relevant step mentioned in sub-paragraph (1)(b), and
  - where section 554Z6 of ITEPA 2003 (overlap with certain earnings) applies because that relevant step gives rise to relevant earnings for the purposes of that section, any liability for income tax in respect of those relevant earnings.
- <sup>F19</sup>(4) . . . . .
- (5) Sub-paragraph (6) applies if a payment is disregarded under sub-paragraph (1)(b).

*Changes to legislation:* There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (6) The value of [<sup>F20</sup>a relevant step treated as taken by paragraph 1 or 1A] is not reduced under section 554Z5(3) of ITEPA 2003 (overlap with money or asset subject to earlier tax liability) by the amount of the sum, or the value of the asset, which is the subject of the relevant step mentioned in sub-paragraph (1)(b) unless the payment condition is met by reason of section 554Z5(4)(a) and (b)(ii) being met.

#### Textual Amendments

- F17** Words in Sch. 11 para. 4(1)(b)(ii) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 5\(2\)](#)  
**F18** Words in Sch. 11 para. 4(2) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 5\(3\)](#)  
**F19** Sch. 11 para. 4(4) omitted (22.7.2020) by virtue of [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 5\(4\)](#)  
**F20** Words in Sch. 11 para. 4(6) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 29](#)

- 5 (1) This paragraph applies where—
- a person (“P”) has made a loan to a relevant person,
  - the loan was made on or after [<sup>F219</sup>December 2010], and
  - before the end of 5 April 2019, A or B acquires (whether or not for consideration) a right to payment of the whole or part of the loan.
- (2) The amount of the loan in respect of which A or B acquires a right to payment is to be treated—
- for the purposes of paragraph 1(1) as an amount, of the loan made by P to the relevant person, that is outstanding immediately before the end of 5 April 2019;
  - for the purposes of [<sup>F22</sup>paragraphs 1(4) and 1A(5)] and section 554Z3(1) of ITEPA 2003, as an amount of the loan that is outstanding at the time P is treated as taking the relevant step under paragraph 1(1).
- (3) Where a quasi-loan or a loan made by P to a relevant person is replaced, directly or indirectly, by a loan or another loan (the “replacement loan”), references in sub-paragraphs (1) and (2) to the loan are references to the replacement loan.

#### Textual Amendments

- F21** Words in Sch. 11 para. 5(1)(b) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 6](#)  
**F22** Words in Sch. 11 para. 5(2)(b) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 30](#)

#### *Meaning of “outstanding”: loans in currencies other than sterling*

- 6 (1) In paragraphs 7 to 10 “the loan currency”, in relation to a loan, means the currency in which the initial principal amount of the loan is denominated (whether or not that amount is paid in that currency).
- (2) For the purposes of paragraphs 7 to 10, the value of an amount in a particular currency is to be determined by reference to an appropriate spot rate of exchange.
- 7 (1) This paragraph applies in relation to a loan where the loan currency is a currency other than sterling.
- (2) But this paragraph does not apply if paragraph 10 applies in relation to the loan.

**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (3) The amount of the loan that is outstanding, at the time P is treated as taking the relevant step [<sup>F23</sup>within paragraph 1], is to be calculated in sterling as follows—
- Step 1* Calculate, in the loan currency, the amount that is outstanding at that time.
- Step 2* Take the value in sterling, at that time, of that amount.
- (4) See paragraph 8 for provision about repayments made in a currency other than the loan currency.

#### Textual Amendments

**F23** Words in Sch. 11 para. 7(3) inserted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 31](#)

#### *Repayments in currencies other than the loan currency*

- 8 (1) This paragraph applies in relation to a loan where—
- (a) payments in money are made by way of repayment of principal under the loan, and
- (b) some or all of the payments are made in a currency other than the loan currency.
- (2) But this paragraph does not apply if paragraph 10 applies in relation to the loan.
- (3) For the purposes of calculating the repayment amount in relation to the loan, the amount of each of the payments referred to in sub-paragraph (1)(b) is an amount equal to its value in the loan currency on the date it is made.

#### *Loans made in a depreciating currency*

- 9 (1) Paragraph 10 applies in relation to a loan where—
- (a) the loan currency is a currency other than sterling, and
- (b) it is reasonable to suppose that the main reason, or one of the main reasons, for the loan being made in that currency is that the loan currency is expected to depreciate as against sterling during the loan period.
- (2) The “loan period”, in relation to a loan, is the period—
- (a) beginning at the time the loan is made, and
- (b) ending with the time by which, under the terms of the loan, the whole of the loan is to be repaid.
- 10 (1) Where this paragraph applies in relation to a loan—
- (a) paragraphs 7 and 8 do not apply in relation to the loan, and
- (b) sub-paragraphs (2) to (5) apply for the purposes of calculating the amount of the loan that is outstanding at the time P is treated as taking the relevant step [<sup>F24</sup>within paragraph 1].
- (2) The relevant principal amount, in relation to the loan, is an amount equal to the total of—
- (a) the value in sterling, at the reference date, of the initial principal amount lent, and

---

*Changes to legislation:* There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

---

- (b) the value in sterling, at the reference date, of any sums that become principal under the loan, otherwise than by capitalisation of interest.
- (3) The “reference date”—
  - (a) in relation to an amount within sub-paragraph (2)(a), means the date on which the loan is made, and
  - (b) in relation to a sum within sub-paragraph (2)(b), means the date on which the sum becomes principal.
- (4) The repayment amount, in relation to the loan, is an amount equal to the total of—
  - (a) the amount of principal under the loan that has been repaid in sterling, and
  - (b) where payments are made, in a currency other than sterling, by way of repayment of principal under the loan, the amount equal to the sterling value of the payments.
- (5) The “sterling value” of a payment is its value in sterling on the date it is made.

#### **Textual Amendments**

**F24** Words in Sch. 11 para. 10(1)(b) inserted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 32](#)

#### *Meaning of “outstanding”: quasi-loans*

- 11 (1) An amount of a quasi-loan is outstanding for the purposes of [F25 paragraphs 1 and 1A] if the initial debt amount exceeds the repayment amount.
- (2) In sub-paragraph (1) “initial debt amount”, in relation to a quasi-loan, means the total of—
- (a) an amount equal to the value of the acquired debt (see paragraph 2(2)), and
  - (b) where P subsequently acquires a further right (an “additional debt”) to a payment, or transfer of assets, in connection with the payment mentioned in paragraph 2(3)(a) or (as the case may be) the transfer mentioned in paragraph 2(3)(b), an amount equal to the value of the additional debt.
- (3) For the purposes of sub-paragraph (2)—
- (a) where the acquired debt is a right to payment of an amount, the “value” of the debt is that amount,
  - (b) where the additional debt is a right to payment of an amount, the “value” of the debt is that amount, but is nil if the additional debt accrued to P by the capitalisation of interest on the acquired debt or another additional debt, and
  - (c) where the acquired debt or additional debt is a right to a transfer of assets, the “value” of the debt is an amount equal to—
    - (i) the market value of the assets at the time the right is acquired (or the value of the right at that time if the assets are non-fungible and not in existence at that time), or
    - (ii) if higher, the cost of the assets at that time.
- (4) In sub-paragraph (1) “repayment amount”, in relation to a quasi-loan, means the total of—
- (a) the amount (if any) by which the initial debt amount has been reduced (by way of repayment) before 17 March 2016,



**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (b) payments in money (if any) made by the relevant person on or after 17 March 2016 by way of repayment of the initial debt amount, and
- (c) if the acquired debt or an additional debt is a right to a transfer of assets, and the assets have been transferred, an amount equal to the market value of the assets at the time of the transfer.

#### Textual Amendments

**F25** Words in [Sch. 11 para. 11\(1\)](#) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 33](#)

- 12 (1) A payment or transfer is to be disregarded for the purposes of paragraph 11(4)(b) or (c) if—
- (a) there is any connection (direct or indirect) between the payment or transfer and a tax avoidance arrangement (other than the arrangement under which the quasi-loan was made), or
  - (b) the payment or the asset transferred, or a sum or asset directly or indirectly representing the payment or asset, is the subject of a relevant step (as defined in section 554A(2) of ITEPA 2003) that is taken—
    - (i) after the payment is made or the asset transferred, but
    - (ii) before the end of 5 April 2019.
- (2) But a payment or transfer is not to be disregarded under sub-paragraph (1)(b) if, by the end of 5 April 2019, each relevant tax liability has been paid in full.
- (3) For the purposes of this paragraph, each of the following is a “relevant tax liability”—
- (a) any liability for income tax arising by virtue of the application of Chapter 2 by reason of the relevant step mentioned in sub-paragraph (1)(b), and
  - (b) where section 554Z6 of ITEPA 2003 (overlap with certain earnings) applies because that relevant step gives rise to relevant earnings for the purposes of that section, any liability for income tax in respect of those relevant earnings.
- (4) Sub-paragraph (5) applies if a payment is disregarded under sub-paragraph (1)(b).
- (5) The value of [<sup>F26</sup>a relevant step treated as taken by paragraph 1 or 1A] is not reduced under section 554Z5(3) of ITEPA 2003 (overlap with money or asset subject to earlier tax liability) by the amount of the sum, or the value of the asset, which is the subject of the relevant step mentioned in sub-paragraph (1)(b) unless the payment condition is met by reason of section 554Z5(4)(a) and (b)(ii) being met.

#### Textual Amendments

**F26** Words in [Sch. 11 para. 12\(5\)](#) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 34](#)

- 13 (1) This paragraph applies where—
- (a) a person (“P”) has made a quasi-loan to a relevant person,
  - (b) the quasi-loan was made on or after [<sup>F27</sup>9 December 2010], and
  - (c) before the end of 5 April 2019, A or B acquires (whether or not for consideration) a right to the payment or transfer of assets mentioned in paragraph 2(2)(a).
- (2) The amount equal to the value of the right acquired by A or B is to be treated—

---

**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

---

- (a) for the purposes of paragraph 1(1) as an amount, of the quasi-loan made by P to the relevant person, that is outstanding immediately before the end of 5 April 2019;
  - (b) for the purposes of [<sup>F28</sup>paragraphs 1(4) and 1A(5)] and section 554Z3(1) of ITEPA 2003, as an amount of the quasi-loan that is outstanding at the time P is treated as taking the relevant step under paragraph 1(1).
- (3) For the purposes of sub-paragraph (2)—
- (a) where the right acquired by A or B is a right to payment of an amount, the “value” of the right is that amount;
  - (b) where the right acquired by A or B is a right to a transfer of assets, the “value” of the right is an amount equal to—
    - (i) the market value of the assets at the time the right is acquired (or the value of the right at that time if the assets are non-fungible and not in existence at that time), or
    - (ii) if higher, the cost of the assets at that time.
- (4) Where a loan or a quasi-loan made by P to a relevant person is replaced, directly or indirectly, by a quasi-loan or another quasi-loan (the “replacement quasi-loan”), references in sub-paragraphs (1) and (2) to the quasi-loan are references to the replacement quasi-loan.

---

**Textual Amendments**

- F27** Words in Sch. 11 para. 13(1)(b) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 7](#)
- F28** Words in Sch. 11 para. 13(2)(b) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 35](#)

*Meaning of “outstanding”: quasi-loans in currencies other than sterling*

- 14 (1) Paragraphs 15 to 18 apply where P makes a quasi-loan to a relevant person by reason of acquiring a right to a payment in a particular currency (the “quasi-loan currency”).
- (2) For the purposes of paragraphs 15 to 18, the value of an amount in a particular currency is to be determined by reference to an appropriate spot rate of exchange.
- 15 (1) This paragraph applies in relation to the quasi-loan if the quasi-loan currency is a currency other than sterling.
- (2) But this paragraph does not apply if paragraph 18 applies in relation to the quasi-loan.
- (3) The amount of the quasi-loan that is outstanding, at the time P is treated as taking the relevant step [<sup>F29</sup>within paragraph 1], is to be calculated in sterling as follows—
- Step 1* Calculate, in the quasi-loan currency, the amount that is outstanding at that time.
- Step 2* Take the value in sterling, at that time, of that amount.
- (4) See paragraph 16 for provision about repayments made in a currency other than the quasi-loan currency.

---

**Textual Amendments**

- F29** Words in Sch. 11 para. 15(3) inserted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 36](#)

---

*Changes to legislation:* There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

---

*Repayments in currencies other than the quasi-loan currency*

- 16 (1) This paragraph applies in relation to the quasi-loan if—
- (a) payments in money are made by way of repayment of the initial debt amount, and
  - (b) some or all of the payments are made in a currency other than the quasi-loan currency.
- (2) But this paragraph does not apply if paragraph 18 applies in relation to the quasi-loan.
- (3) For the purposes of calculating the repayment amount in relation to the quasi-loan, the amount of each of the payments referred to in sub-paragraph (1)(b) is an amount equal to its value in the quasi-loan currency on the date it is made.

*Quasi-loans made in a depreciating currency*

- 17 (1) Paragraph 18 applies in relation to the quasi-loan if—
- (a) the quasi-loan currency is a currency other than sterling, and
  - (b) it is reasonable to suppose that the main reason, or one of the main reasons, for the quasi-loan being made in that currency is that the quasi-loan currency is expected to depreciate during the quasi-loan period.
- (2) The “quasi-loan period”, in relation to a quasi-loan, is the period—
- (a) beginning at the time the quasi-loan is made, and
  - (b) ending with the time by which, under the terms of the quasi-loan, the whole of the quasi-loan is to be repaid.
- 18 (1) Where this paragraph applies in relation to the quasi-loan—
- (a) paragraphs 15 and 16 do not apply in relation to the quasi-loan, and
  - (b) sub-paragraphs (2) to (5) apply for the purposes of calculating the amount of the quasi-loan that is outstanding at the time P is treated as taking the relevant step [F30 within paragraph 1].
- (2) The initial debt amount, in relation to the quasi-loan, is an amount equal to the total of—
- (a) the value in sterling, at the reference date, of the acquired debt, and
  - (b) the value in sterling, at the reference date, of any additional debt.
- (3) The “reference date”—
- (a) in relation to a right within sub-paragraph (2)(a), means the date on which P acquires it, and
  - (b) in relation to a right within sub-paragraph (2)(b), means the date on which P acquires it.
- (4) The repayment amount, in relation to the quasi-loan, is an amount equal to the total of—
- (a) the amount of the initial debt amount that has been repaid in sterling, and
  - (b) where payments are made, in a currency other than sterling, by way of repayment of the initial debt amount, the amount equal to the sterling value of the payments.
- (5) The “sterling value” of a payment is its value in sterling on the date it is made.

---

**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

---

.....

**Textual Amendments**

**F30** Words in Sch. 11 para. 18(1)(b) inserted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 37](#)

**F31** ...

.....

**Textual Amendments**

**F31** Sch. 11 para. 19 and cross-heading omitted (22.7.2020) by virtue of [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 8](#)

**F31**19 .....

**Changes to legislation:**

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations.

[View outstanding changes](#)

**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. A1 para. 8(6)(b) omitted by [2022 c. 3 Sch. 1 para. 32\(b\)](#)
- Sch. A1 para. 8(2) substituted by [2022 c. 3 Sch. 1 para. 32\(a\)](#)