

---

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2018, Paragraph 14. (See end of Document for details)*

---

## SCHEDULES

### SCHEDULE 7

#### HYBRID AND OTHER MISMATCHES

*Hybrid entity double deduction mismatches: use of restricted deduction*

14 After section 259IC insert—

**“259ID Section 259ID income for the purposes of section 259IC**

- (1) This section applies where—
  - (a) section 259IC applies,
  - (b) the restricted deduction exceeds the dual inclusion income of the hybrid entity (if any) for the hybrid entity deduction period, and
  - (c) conditions A to D are met.
- (2) Condition A is that—
  - (a) the investor in the hybrid entity makes a payment to the hybrid entity, and
  - (b) no amount is deductible, under the law of the investor jurisdiction, from the income of the investor in respect of the payment.
- (3) Condition B is that, as a result of the payment, an amount of ordinary income arises to the hybrid entity for the hybrid entity deduction period.
- (4) Condition C is that the payment is made in direct consequence of a payment made to the investor by a person (“the unrelated party”) who is not related (see section 259NC) to the investor or the hybrid entity.
- (5) Condition D is that, as a result of the payment made by the unrelated party, an amount of ordinary income arises to the investor.
- (6) For the purposes of section 259IC “section 259ID income” is an amount of income of the hybrid entity equal to the lesser of—
  - (a) the amount of the payment made by the investor to the hybrid entity, and
  - (b) the amount of the payment made by the unrelated party to the investor.”

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2018, Paragraph 14.