

2017 No. 1227

CORPORATION TAX

**The Corporate Interest Restriction (Consequential Amendments)
Regulations 2017**

<i>Made</i>	- - - -	<i>7th December 2017</i>
<i>Laid before the House of Commons</i>		<i>8th December 2017</i>
<i>Coming into force</i>	- -	<i>29th December 2017</i>

The Treasury, in exercise of the powers conferred by sections 17(3) and 18 of the Finance (No. 2) Act 2005(a), section 45 of the Finance Act 2009(b), section 624 of the Corporation Tax Act 2010(c), paragraph 35 of Schedule 5 to the Finance (No. 2) Act 2017(d), make the following Regulations:

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Corporate Interest Restriction (Consequential Amendments) Regulations 2017 and come into force on 29th December 2017.

(2) The Regulations have effect for accounting periods beginning on or after 1 April 2017.

(3) An accounting period beginning before and ending after 1 April 2017 is to be treated for the purposes of these Regulations as if so much of the accounting period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

(4) Where it is necessary to apportion an amount to the two separate accounting periods, it is to be apportioned on a just and reasonable basis.

Amendments to the Authorised Investment Funds (Tax) Regulations 2006

2.—(1) The Authorised Investment Funds (Tax) Regulations 2006(e) are amended as follows.

(2) In regulation 18 (interest distributions: general), after paragraph (2) insert—

“(2A) For the purposes of Part 10 (Corporate Interest Restriction) of TIOPA 2010, an interest distribution is treated as not being a tax-interest expense amount(f) of the authorised investment fund.”

(3) In regulation 69Z16 (PAIF distributions (interest))(g), after paragraph (2) insert—

(a) 2005 c. 22.

(b) 2009 c. 10, section 45 was amended by paragraphs 706 and 710 of Schedule 1 to the Corporation Tax Act 2010 (c. 4).

(c) 2010 c. 4, section 624 was amended by section 65 of the Finance Act 2016 (c. 24).

(d) 2017 c. 32.

(e) S.I. 2006/964; relevant amending instruments are S.I. 2008/705 and 2009/2036.

(f) A new Part 10 was inserted into the Taxation (International and Other Provisions) Act 2010 (c. 8) by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017; “tax-interest expense amount” is defined in section 382 of that Part.

(g) Regulation 69Z16 was inserted by S.I. 2008/705.

“(2A) For the purposes of Part 10 (Corporate Interest Restriction) of TIOPA 2010, a PAIF distribution (interest) is treated as not being a tax-interest expense amount of the company.”

(4) In regulation 69Z61 (TEF distributions (non-dividend))(a), after paragraph (2) insert—

“(2A) For the purposes of Part 10 (Corporate Interest Restriction) of TIOPA 2010, a TEF distribution (non-dividend) is treated as not being a tax-interest expense amount of the Tax Elected Fund.”

Amendment to the Taxation of Securitisation Companies Regulations 2006

3.—(1) The Taxation of Securitisation Companies Regulations 2006(b) are amended as follows.

(2) At the end insert—

“22.—(1) For the purposes of Part 10 (Corporate Interest Restriction) of TIOPA 2010—

(a) the net tax-interest income(c) for an accounting period of the securitisation company is the sum of—

(i) the amount of profit calculated under regulation 14 for that period, and

(ii) the amount of any management fee paid in that period by the securitisation company to another UK group company(d) in relation to the management of assets held by the securitisation company for the purposes of the capital market arrangement; and

(b) the adjusted corporation tax earnings(e) of the securitisation company for an accounting period is a negative amount equal to the amount in paragraph (a)(ii).

(2) Section 414(3)(b) (qualifying net group-interest expense, results dependent securities) of that Act(f) does not apply in relation to any interest paid or other distribution made by a securitisation company.”

Amendment to the Taxation of Insurance Securitisation Companies Regulations 2007

4.—(1) The Taxation of Insurance Securitisation Companies Regulations 2007(g) are amended as follows.

(2) At the end insert—

“The Taxation (International and Other Provisions) Act 2010

12. Section 414(3)(b) (qualifying net group-interest expense, results dependent securities) of TIOPA 2010 does not apply in relation to any interest paid or other distribution made by an insurance securitisation company.”

Amendment of the Investment Trusts (Dividends) (Optional Treatment as Interest Distributions) Regulations 2009

5.—(1) Amend the Investment Trusts (Dividends) (Optional Treatment as Interest Distributions) Regulations 2009(h) as follows.

(a) Regulation 69Z61 was inserted by S.I. 2009/2036.

(b) S.I. 2006/3296, to which there are amendments not relevant to these Regulations.

(c) “The net tax-interest income” is defined in section 389 of the Taxation (International and Other Provisions) Act 2010 inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(d) “UK group company” is defined in section 492 of the Taxation (International and Other Provisions) Act 2010 inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(e) “Adjusted corporation tax earnings” is defined in section 406(2) of the Taxation (International and Other Provisions) Act 2010 inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(f) Section 414 was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(g) S.I. 2007/3402, to which there are amendments not relevant to these Regulations.

(h) S.I. 2009/2034, to which there are amendments not relevant to these Regulations.

(2) In Part 2, after regulation 12 insert—

“Application of corporate interest restriction rules

12A. For the purposes of Part 10 (Corporate Interest Restriction) of TIOPA 2010, an interest distribution is treated as not being a tax-interest expense amount of the company.”

*Heather Wheeler
Andrew Griffiths*

7th December 2017

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision for consequential amendments in connection with new Part 10 of the Taxation (International and Other Provisions) Act 2010 (“TIOPA 2010”) inserted by the Finance (No. 2) Act 2017 which make provision for the restriction of relief for interest and finance costs of multinational companies.

Authority for the retrospective effect is given by paragraph 35 of Schedule 5 to the Finance (No. 2) Act 2017.

Regulation 2 amends the Authorised Investment Funds (Tax) Regulations 2006 so that interest distributions, PAIF distributions (interest) and TEF distributions (non-dividend) paid by authorised investment funds are treated as not being a tax-interest expense amount for the purposes of Part 10 of TIOPA 2010.

Regulation 3 amends the Taxation of Insurance Securitisation Companies Regulations 2007 so that for the purposes of Part 10 of TIOPA 2010, the net tax-interest income of a securitisation company is equal to the retained profit amount of the company and any management fee paid to another UK group company; any such management fee is treated as a negative amount of adjusted corporation tax earnings. Section 414(3)(b) (qualifying net group-interest expense, results dependent securities) of TIOPA 2010 is disapplied in relation to any interest paid or other distribution made by a securitisation company.

Regulation 4 amends the Taxation of Insurance Securitisation Companies Regulations 2007 to disapply section 414(3)(b) (qualifying net group-interest expense, results dependent securities) of TIOPA 2010 in relation to any interest paid or other distribution made by an insurance securitisation company.

Regulation 5 amends the Investment Trusts (Dividends) (Optional Treatment as Interest Distributions) Regulations 2009 so that interest distributions paid by an investment trust are treated as not being a tax-interest expense amount for the purposes of Part 10 of TIOPA 2010.

A Tax Information and Impact Note covering this instrument was published on 5 December 2016 alongside the Finance Bill 2017 and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

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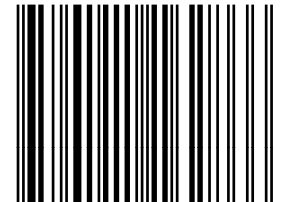
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