



Finance Act 2014

2014 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 3

CORPORATION TAX: GENERAL

27 Holdings treated as rights under loan relationships

- (1) CTA 2009 is amended as follows.
- (2) In section 465(3) (list of provisions under which certain distributions are not excluded from Part 5) before paragraph (a) insert—
 - “(za) section 490(2) (holdings in OEICs, unit trusts and offshore funds treated as rights under creditor relationships).”
- (3) In section 490 (holding in an OEIC, unit trust or offshore fund treated as rights under a creditor relationship) for subsection (2) substitute—
 - “(2) The Corporation Tax Acts have effect for the accounting period in accordance with subsection (3) as if—
 - (a) the relevant holding were rights under a creditor relationship of the company, and
 - (b) any distribution in respect of the relevant holding were not a distribution (and accordingly is within Part 5).”
- (4) Omit section 490(4) and (5) (which are superseded by the new section 490(2)(b)).
- (5) For section 492 (rules about tax calculations in avoidance cases where holding comes within section 490) substitute—

Status: This is the original version (as it was originally enacted).

“492 Holding coming within section 490: calculation to undo avoidance

- (1) Subsection (2) applies if—
 - (a) section 490 applies for an accounting period of a company to a relevant holding held by the company,
 - (b) a relevant fund enters into any arrangements, or arrangements are entered into that in whole or part relate to a relevant fund, and
 - (c) the main purpose or one of the main purposes of the arrangements is to obtain a tax advantage for a person.
- (2) The company must make adjustments to counteract any tax advantage connected in any way with the relevant holding that would (ignoring this section) be obtained by the company, or any other person, directly or indirectly in consequence of the arrangements or their being entered into.
- (3) The arrangements may be ones entered into at a time when the company does not hold the relevant holding; and any person referred to in subsection (1)(c) need not be identified when the arrangements are entered into.
- (4) The adjustments required by subsection (2) are such as are just and reasonable.
- (5) In this section—

“arrangements” includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions, and

“relevant fund” means—

 - (a) the open-ended investment company, unit trust scheme or offshore fund in which the relevant holding is held, or
 - (b) an open-ended investment company, unit trust scheme or offshore fund in which a relevant fund has a holding.”
- (6) In section 495 (meaning of “qualifying holdings”)—
 - (a) in subsection (1)—
 - (i) for “would itself fail” substitute “itself fails”, and
 - (ii) omit “, even on the assumption in subsection (2)”, and
 - (b) omit subsection (2).
- (7) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 April 2014.
- (8) For the purposes of subsection (7), an accounting period beginning before, and ending on or after, 1 April 2014 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.
- (9) An apportionment for the purposes of subsection (8) must be made in accordance with section 1172 of CTA 2010 (time basis) or, if that method produces a result that is unjust or unreasonable, on a just and reasonable basis.