

## SCHEDULES

### SCHEDULE 9

Section 84.

#### LOAN RELATIONSHIPS: SPECIAL COMPUTATIONAL PROVISIONS

##### *Distributions*

- 1 The credits and debits to be brought into account for the purposes of this Chapter shall not include any credits or debits relating to any amount falling, when paid, to be treated as a distribution.

##### *Late interest*

- 2 (1) This paragraph applies for the purpose of bringing debits into account for the purposes of this Chapter in respect of a debtor relationship of a company where an authorised accruals basis of accounting is used as respects that relationship in pursuance of section 87 of this Act.
- (2) If—
- (a) interest payable under that relationship is not paid within the period of twelve months following the end of the accounting period in which it would (apart from this paragraph) be treated as accruing, and
  - (b) credits representing the full amount of the interest are not for any accounting period brought into account for the purposes of this Chapter in respect of the corresponding creditor relationship,
- then debits relating to that interest shall be brought into account on the assumption that the interest does not accrue until it is paid.

##### *Options etc.*

- 3 (1) This paragraph applies for determining the credits and debits to be brought into account for any accounting period in accordance with an authorised accruals basis of accounting, where—
- (a) the answer to the question whether any amount will become due under a loan relationship after the end of that period,
  - (b) the amount which will become due under a loan relationship after the end of that period, or
  - (c) the time after the end of that period when an amount will become due under a loan relationship,
- depends on the exercise of an option by a party to the relationship or an associate of his, or is otherwise under the control of such a party or an associate of his.
- (2) It shall be assumed that the party or his associate will exercise his power to determine whether and on what date any amount will become due in the manner which (apart from taxation) appears, as at the end of the accounting period in question, to be the most advantageous to that party.

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- (3) In this paragraph “associate” has the meaning given for the purposes of Part XI of the Taxes Act 1988 by section 417(3) and (4) of that Act.

*Foreign exchange gains and losses*

- 4 (1) The credits and debits to be brought into account for the purposes of this Chapter shall be computed disregarding so much of any authorised accounting method as, by requiring the translation or conversion of amounts from one currency into another, has the effect that credits and debits produced by that method include sums in which profits, gains or losses arising from fluctuations in the value of a currency are to any extent represented.
- (2) This paragraph is without prejudice to the provisions of Chapter II of Part II of the Finance Act 1993 (exchange gains and losses).

*Bad debt etc.*

- 5 (1) In determining the credits and debits to be brought into account in accordance with an accruals basis of accounting, a departure from the assumption in the case of the creditor relationships of a company that every amount payable under those relationships will be paid in full as it becomes due shall be allowed (subject to paragraph 6 below) to the extent only that—
- (a) a debt is a bad debt;
  - (b) a doubtful debt is estimated to be bad; or
  - (c) a liability to pay any amount is released.
- (2) Such a departure shall be made only where the accounting arrangements allowing the departure also require appropriate adjustments, in the form of credits, to be made if the whole or any part of an amount taken or estimated to represent an amount of bad debt is paid or otherwise ceases to be an amount in respect of which such a departure is allowed.
- (3) Where—
- (a) a liability to pay any amount under a debtor relationship of a company is released, and
  - (b) the release takes place in an accounting period for which an authorised accruals basis of accounting is used as respects that relationship,
- no credit in respect of the release shall be required to be brought into account in the case of that company if the release is part of a relevant arrangement or compromise (within the meaning given by section 74(2) of the Taxes Act 1988) or the relationship is one as respects which section 87 of this Act requires the use of an authorised accruals basis of accounting.

*Bad debt etc. where parties have a connection*

- 6 (1) This paragraph applies where for any accounting period section 87 of this Act requires an authorised accruals basis of accounting to be used as respects a creditor relationship of a company.
- (2) The credits and debits which for that period are to be brought into account for the purposes of this Chapter in accordance with that accounting method shall be computed subject to sub-paragraphs (3) to (6) below.

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- (3) The assumption that every amount payable under the relationship will be paid in full shall be applied as if no departure from that assumption were authorised by virtue of paragraph 5 above except where it is allowed by sub-paragraph (4) below.
- (4) A departure from that assumption shall be allowed in relation to a liability to pay any amount to the company (“the creditor company”) under the creditor relationship where—
  - (a) in consideration of, or of any entitlement to, any shares forming part of the ordinary share capital of the company on whom the liability would otherwise have fallen, the creditor company treats the liability as discharged; and
  - (b) the condition specified in sub-paragraph (5) below is satisfied.
- (5) That condition is that there would be no connection between the two companies for the accounting period in which that consideration is given if the question whether there is such a connection for that period fell to be determined, in accordance with section 87 of this Act, by reference only to times before the creditor company acquired possession of, or any entitlement to, the shares in question.
- (6) Where the company ceases in the accounting period in question to be a party to the relationship—
  - (a) the debits brought into account for that period in respect of that relationship shall not (subject to sub-paragraph (7) below) be more than they would have been had the company not ceased to be a party to the relationship; and
  - (b) the credits brought into account for that period in respect of the relationship shall not (subject to that sub-paragraph) be less than they would have been in those circumstances.
- (7) In determining for the purposes of sub-paragraph (6) above the debits and credits that would have been brought into account if a company had not ceased to be a party to a loan relationship, no account shall be taken of any amounts that would have accrued at times after it ceased to be a party to the relationship.

*Writing-off of government investments*

- 7 (1) Where any government investment in a company is written off by the release of a liability to pay any amount under a debtor relationship of the company, no credit shall be required, in the case of that company, to be brought into account for the purposes of this Chapter in respect of that release.
- (2) Subsections (7) and (8) of section 400 of the Taxes Act 1988 shall apply, as they apply for the purposes of that section, for construing the reference in sub-paragraph (1) above to the writing-off of a government investment.

*Restriction on writing off overseas sovereign debt etc.*

- 8 (1) This paragraph applies for the purposes of the use, as respects any loan relationship of a company and in conformity with paragraph 5 above, of an authorised accruals basis of accounting.
- (2) Where the company is one to which a relevant overseas debt is owed, the debits and credits to be brought into account on that basis for the purposes of this Chapter shall be determined, for any accounting period of the company, on the assumption that it

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is not permissible for more than the relevant percentage of the debt to be estimated to be bad.

- (3) For the purposes of this paragraph the relevant percentage of a debt for any accounting period of a company is (subject to sub-paragraph (4) below) such percentage (which may be zero) as may be determined, by reference to the position at the end of the relevant period of account, in accordance with regulations made by the Treasury.
- (4) Where, apart from this sub-paragraph, the relevant percentage of a debt for any accounting period is more than the adjusted base percentage of that debt for that period, the relevant percentage of the debt for that period shall be taken to be equal to its adjusted base percentage for that period.
- (5) For the purposes of this paragraph the adjusted base percentage of a debt for any accounting period shall be calculated by—
  - (a) taking the percentage which, in accordance with section 88B of the Taxes Act 1988 and any regulations made under that section, was or (assuming the debt to have been a debt of the company at the end of the base period) would have been the base percentage for that debt; and
  - (b) increasing that base percentage by five percentage points for every complete year (except the first) between—
    - (i) the time by reference to which the base percentage was, or would have been, determined, and
    - (ii) the end of the relevant period of account.
- (6) In this paragraph “the relevant period of account”, in relation to any accounting period of a company, means the period of account ending with that accounting period or, if a period of account does not end with that accounting period, the last period of account of the company to end before the end of that accounting period.
- (7) In this paragraph “relevant overseas debt” means any debt which—
  - (a) satisfies one of the conditions specified in sub-paragraph (8) below; but
  - (b) is neither interest on a debt nor a debt which represents the consideration for the provision of goods or services.
- (8) Those conditions are—
  - (a) that the debt is owed by an overseas State authority; or
  - (b) that payment of the debt is guaranteed by an overseas State authority; or
  - (c) that the debt is estimated to be bad for the purposes of this Chapter wholly or mainly because due payment is or may be prevented, restricted or subjected to conditions—
    - (i) by virtue of any law of a State or other territory outside the United Kingdom or any act of an overseas State authority; or
    - (ii) under any agreement entered into in consequence or anticipation of such a law or act.
- (9) In this paragraph “overseas State authority” means—
  - (a) a State or other territory outside the United Kingdom;
  - (b) the government of such a State or territory;
  - (c) the central bank or other monetary authority of such a State or territory;
  - (d) a public or local authority in such a State or territory; or

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(e) a body controlled by such a State, territory, government, bank or authority; and for this purpose “controlled” shall be construed in accordance with section 840 of the Taxes Act 1988.

(10) The Treasury shall not make any regulations under this paragraph unless a draft of them has been laid before and approved by a resolution of the House of Commons.

*Further restriction on bringing into account losses on overseas sovereign debt etc.*

- 9 (1) This paragraph applies where—
- (a) for an accounting period in which a company ceases to be a party to a loan relationship (“the loss period”) any amount falls for the purposes of this Chapter to be brought into account in respect of that relationship in accordance with an authorised accruals basis of accounting;
  - (b) by the bringing into account of that amount in that period a loss incurred in connection with a relevant overseas debt falling within sub-paragraph (2) below is treated for the purposes of this Chapter as arising in that period;
  - (c) the amount of the loss is greater than 5 per cent. of the debt; and
  - (d) the loss is not one incurred on a disposal of the debt to an overseas State authority in a case in which the State or territory by reference to which it is an overseas State authority is the same as that by reference to which the debt is a relevant overseas debt.
- (2) A relevant overseas debt falls within this sub-paragraph if—
- (a) a deduction has been made in respect of the debt in accordance with section 74(1)(j) of the Taxes Act 1988 for any period of account of the company ending before 1st April 1996;
  - (b) any debit relating to the debt has been brought into account for the purposes of this Chapter in accordance with so much of any authorised accruals basis of accounting as relates to the matters mentioned in paragraph 5(1)(a) to (c) above; or
  - (c) the debt is one acquired by the company on or after 20th March 1990 for a consideration greater than the price which it might reasonably have been expected to fetch on a sale in the open market at the time of acquisition.
- (3) Where this paragraph applies, the amounts brought into account for the purposes of this Chapter in the loss period shall be such as to secure that only so much of the loss as does not exceed 5 per cent. of the debt is treated for the purposes of this Chapter as arising in the loss period; but sub-paragraph (4) below applies as respects further parts of that loss until the loss is exhausted.
- (4) A part of the loss may, in accordance with sub-paragraph (5) below, be brought into account for the purposes of this Chapter in the form of a debit for any accounting period after the loss period (“a subsequent period”).
- (5) The amount of the debit brought into account under sub-paragraph (4) above for any subsequent period shall not exceed such amount as, together with any parts of the loss which for earlier periods have been represented by—
- (a) the amount of the loss treated as arising in the loss period in accordance with sub-paragraph (3) above, or
  - (b) debits brought into account in accordance with this sub-paragraph,

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is equal to 5 per cent. of the debt for each complete year that has elapsed between the beginning of the loss period and the end of the subsequent period.

- (6) In this paragraph “overseas State authority” and “relevant overseas debt” have the same meanings as in paragraph 8 above.
- (7) References in this paragraph to a loss do not include so much of any loss as falls to be disregarded for the purposes of this Chapter by virtue of paragraph 10 below or to any loss incurred before 1st April 1996.

*Imported losses etc.*

- 10 (1) This paragraph applies in the case of a company (“the chargeable company”) for an accounting period (“the loss period”) where—
  - (a) an authorised accruals basis of accounting is used as respects a loan relationship of that company for the loss period;
  - (b) in accordance with that basis of accounting there is an amount which would fall (apart from this paragraph) to be brought into account for the purposes of this Chapter in respect of that relationship;
  - (c) by the bringing into account of that amount in that period a loss incurred in connection with that loan relationship would be treated for the purposes of this Chapter as arising in that period; and
  - (d) that loss is referable in whole or in part to a time when the relationship was not subject to United Kingdom taxation.
- (2) The amounts brought into account for the purposes of this Chapter in the loss period shall be such as to secure that no part of the loss that is referable to a time when the relationship was not subject to United Kingdom taxation shall be treated for the purposes of this Chapter as arising in the loss period or any other accounting period of the chargeable company.
- (3) For the purposes of this paragraph a loss is referable to a time when a relationship is not subject to United Kingdom taxation to the extent that, at the time to which the loss is referable, the chargeable company would not have been chargeable to tax in the United Kingdom on any profits or gains arising from the relationship.
- (4) Sub-paragraph (3) above shall have effect where the chargeable company was not a party to the relationship at the time to which the loss is referable as if the reference to that company were a reference to the person who at that time was in the same position as respects the relationship as is subsequently held by the chargeable company.

*Transactions not at arm’s length*

- 11 (1) Subject to sub-paragraphs (2) and (3) below, where—
  - (a) debits or credits in respect of a loan relationship of a company fall to be brought into account for the purposes of this Chapter in accordance with an authorised accounting method,
  - (b) those debits or credits relate to amounts arising from, or incurred for the purposes of, a related transaction, and
  - (c) that transaction is not a transaction at arm’s length,
 the debits or credits given by that method shall be determined on the assumption that the transaction was entered into on the terms on which it would have been entered into between independent persons.

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- (2) Sub-paragraph (1) above shall not apply to debits arising from the acquisition of rights under a loan relationship where those rights are acquired for less than market value.
- (3) Sub-paragraph (1) above does not apply—
  - (a) in the case of any related transaction between two companies that are members of the same group; or
  - (b) in relation to a member of a group of companies, in the case of any transaction which is part of a series of transactions having the same effect as a related transaction between two members of the same group.
- (4) In this paragraph “related transaction” has the same meaning as in section 84 of this Act.
- (5) Section 170 of the Taxation of Chargeable Gains Act 1992 (groups etc.) shall apply for the interpretation of this paragraph as it applies for the interpretation of sections 171 to 181 of that Act.

*Continuity of treatment: groups etc.*

- 12 (1) Subject to paragraph 15 below, this paragraph applies where, as a result of—
  - (a) a related transaction between two members of the same group of companies,
  - (b) a series of transactions having the same effect as a related transaction between two companies each of which has been a member of the same group at any time in the course of that series of transactions,
  - (c) the transfer between two companies of the whole or part of the long term business of any insurance company in accordance with a scheme sanctioned by a court under Part I of Schedule 2C to the Insurance Companies Act 1982, or
  - (d) any transfer between two companies which is a qualifying overseas transfer within the meaning of paragraph 4A of Schedule 19AC to the Taxes Act 1988 (transfer of business of overseas life insurance company),one of those companies (“the transferee company”) directly or indirectly replaces the other (“the transferor company”) as a party to a loan relationship.
- (2) The credits and debits to be brought into account for the purposes of this Chapter in the case of the two companies shall be determined as follows—
  - (a) the transaction, or series of transactions, by virtue of which the replacement takes place shall be disregarded except for the purpose of identifying the company in whose case any debit or credit not relating to that transaction, or those transactions, is to be brought into account; and
  - (b) the transferor company and the transferee company shall be deemed (except for that purpose) to be the same company.
- (3) This paragraph does not apply by virtue of sub-paragraph (1)(a) or (b) above in relation to any transfer of an asset, or of any rights under or interest in an asset, where the asset was within one of the categories set out in section 440(4)(a) to (e) of the Taxes Act 1988 (assets held for certain categories of long term business) either immediately before the transfer or immediately afterwards.
- (4) This paragraph does not apply by virtue of sub-paragraph (1)(c) or (d) above in relation to any transfer of an asset, or of any rights under or interest in an asset, where—

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- (a) the asset was within one of the categories set out in section 440(4) of the Taxes Act 1988 immediately before the transfer; and
  - (b) is not within that category immediately afterwards.
- (5) For the purposes of sub-paragraph (4) above, where one of the companies is an overseas life insurance company an asset shall be taken to be within the same category both immediately before the transfer and immediately afterwards if it—
- (a) was within one category immediately before the transfer; and
  - (b) is within the corresponding category immediately afterwards.
- (6) References in this paragraph to one company replacing another as a party to a loan relationship shall include references to a company becoming a party to any loan relationship under which its rights are equivalent to those of the other company under a loan relationship of which that other company has previously ceased to be a party.
- (7) For the purposes of sub-paragraph (6) above a person's rights under a loan relationship are equivalent to rights under another such relationship if they entitle the holder of an asset representing the relationship—
- (a) to the same rights against the same persons as to capital, interest and dividends, and
  - (b) to the same remedies for the enforcement of those rights,
- notwithstanding any difference in the total nominal amounts of the assets, in the form in which they are held or in the manner in which they can be transferred.
- (8) Sub-paragraphs (4) and (5) of paragraph 11 above have effect for the purposes of this paragraph as they have effect for the purposes of that paragraph.
- (9) In this paragraph “overseas life insurance company” has the same meaning as in Chapter I of Part XII of the Taxes Act 1988.

*Loan relationships for unallowable purposes*

- 13 (1) Where in any accounting period a loan relationship of a company has an unallowable purpose, the debits which, for that period fall, in the case of that company, to be brought into account for the purposes of this Chapter shall not include so much of the debits given by the authorised accounting method used as respects that relationship as, on a just and reasonable apportionment, is attributable to the unallowable purpose.
- (2) For the purposes of this paragraph a loan relationship of a company shall be taken to have an unallowable purpose in an accounting period where the purposes for which, at times during that period, the company—
- (a) is a party to the relationship, or
  - (b) enters into transactions which are related transactions by reference to that relationship,
- include a purpose (“the unallowable purpose”) which is not amongst the business or other commercial purposes of the company.
- (3) For the purposes of this paragraph the business and other commercial purposes of a company do not include the purposes of any part of its activities in respect of which it is not within the charge to corporation tax.
- (4) For the purposes of this paragraph, where one of the purposes for which a company—
- (a) is a party to a loan relationship at any time, or

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- (b) enters into a transaction which is a related transaction by reference to any loan relationship of the company,  
is a tax avoidance purpose, that purpose shall be taken to be a business or other commercial purpose of the company only where it is not the main purpose, or one of the main purposes, for which the company is a party to the relationship at that time or, as the case may be, for which the company enters into that transaction.
- (5) The reference in sub-paragraph (4) above to a tax avoidance purpose is a reference to any purpose that consists in securing a tax advantage (whether for the company or any other person).
- (6) In this paragraph—  
“related transaction” has the same meaning as in section 84 of this Act;  
and  
“tax advantage” has the same meaning as in Chapter I of Part XVII of the Taxes Act 1988 (tax avoidance).

*Debits and credits treated as relating to capital expenditure*

- 14 (1) This paragraph applies where any debit or credit given by an authorised accounting method for any accounting period in respect of a loan relationship of a company is allowed by normal accountancy practice to be treated, in the accounts of the company, as an amount brought into account in determining the value of a fixed capital asset or project.
- (2) Notwithstanding the application to it of the treatment allowed by normal accountancy practice, the debit or credit shall be brought into account for the purposes of corporation tax, for the accounting period for which it is given, in the same way as a debit or credit which, in accordance with normal accountancy practice, is brought into account in determining the company’s profit or loss for that period.

*Repo transactions and stock-lending*

- 15 (1) In determining the debits and credits to be brought into account for the purposes of this Chapter in respect of any loan relationship, it shall be assumed that a disposal or acquisition to which this paragraph applies is not a related transaction for the purposes of section 84 of this Act.
- (2) This paragraph applies to any such disposal or acquisition of rights or liabilities under the relationship as is made in pursuance of any repo or stock-lending arrangements.
- (3) In this paragraph “repo or stock-lending arrangements” means any arrangements consisting in or involving an agreement or series of agreements under which provision is made—
- (a) for the transfer from one person to another of any rights under that relationship; and
- (b) for the transferor, or a person connected with him, subsequently to be or become entitled, or required—
- (i) to have the same or equivalent rights transferred to him; or
- (ii) to have rights in respect of benefits accruing in respect of that relationship on redemption.

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- (4) For the purposes of sub-paragraph (3) above rights under a loan relationship are equivalent to rights under another such relationship if they entitle the holder of an asset representing the relationship—
- (a) to the same rights against the same persons as to capital, interest and dividends, and
  - (b) to the same remedies for the enforcement of those rights,
- notwithstanding any difference in the total nominal amounts of the assets, in the form in which they are held or in the manner in which they can be transferred.
- (5) Nothing in this paragraph shall prevent any redemption or discharge of rights or liabilities under a loan relationship to which any repo or stock-lending arrangements relate from being treated for the purposes of this Chapter as a related transaction (within the meaning of section 84 of this Act).
- (6) This paragraph is without prejudice to section 730A(2) and (6) of the Taxes Act 1988 (deemed payments of loan interest in the case of the sale and re-purchase of securities).
- (7) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of this paragraph.

*Imputed interest*

- 16 (1) This paragraph applies where, in pursuance of sections 770 to 772 of the Taxes Act 1988 (transactions at an undervalue or overvalue), as those sections have effect by virtue of section 773(4) of that Act, any amount falls to be treated as interest payable under a loan relationship of a company.
- (2) Those sections shall have effect, notwithstanding the provisions of any authorised accounting method, so as to require credits or debits relating to the deemed interest to be brought into account for the purposes of this Chapter to the same extent as they would be in the case of an actual amount of interest accruing or becoming due and payable under the loan relationship in question.

*Discounted securities where companies have a connection*

- 17 (1) This paragraph applies as respects any accounting period (“the relevant period”) where—
- (a) a debtor relationship of a company (“the issuing company”) is represented by a relevant discounted security issued by that company;
  - (b) the benefit of that security is available to another company at any time in that period;
  - (c) for that period there is a connection between the issuing company and the other company; and
  - (d) credits representing the full amount of the discount that is referable to that period are not for any accounting period brought into account for the purposes of this Chapter in respect of the corresponding creditor relationship.
- (2) The debits falling in the case of the issuing company to be brought into account for the purposes of this Chapter in respect of the loan relationship shall be adjusted so that every debit relating to the amount of the discount that is referable to the relevant period is brought into account for the accounting period in which the security is redeemed, instead of for the relevant period.

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- (3) References in this paragraph to the amount of the discount that is referable to the relevant period are references to the amount relating to the difference between—
- (a) the issue price of the security, and
  - (b) the amount payable on redemption,
- which (apart from this paragraph) would for the relevant period be brought into account for the purposes of this Chapter in the case of the issuing company.
- (4) In this paragraph “relevant discounted security” has the same meaning as in Schedule 13 to this Act; and the provisions of that Schedule shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of paragraph 3(3) of that Schedule.
- (5) For the purposes of this paragraph there is a connection between one company and another for the relevant period if (subject to the following provisions of this paragraph)—
- (a) there is a time in that period, or in the period of two years before the beginning of that period, when one of the companies has had control of the other; or
  - (b) there is a time in that period, or in those two years, when both the companies have been under the control of the same person.
- (6) Two companies which have at any time been under the control of the same person shall not, by virtue of that fact, be taken for the purposes of this paragraph to be companies between whom there is a connection if the person was the Crown, a Minister of the Crown, a government department, a Northern Ireland department, a foreign sovereign power or an international organisation.
- (7) Section 88 of this Act shall apply for the purposes of this paragraph in the case of a debtor relationship of a company represented by a relevant discounted security as it would apply for the purposes of section 87 of this Act in the case of the corresponding creditor relationship of the company holding that security and, accordingly, as if—
- (a) the reference to section 87 of this Act in section 88(4)(b) were a reference to this paragraph; and
  - (b) section 88(5) were omitted.
- (8) For the purposes of this paragraph the benefit of a security is available to a company if—
- (a) that security, or any entitlement to rights attached to it, is beneficially owned by that company; or
  - (b) that company is indirectly entitled, by reference to a series of loan transactions, to the benefit of any rights attached to the security.
- (9) Subsections (2) to (6) of section 416 of the Taxes Act 1988 (meaning of “control”) shall apply for the purposes of this paragraph as they apply for the purposes of Part XI of that Act.

*Discounted securities of close companies*

- 18 (1) This paragraph applies for any accounting period where—
- (a) a debtor relationship of a close company is represented by a relevant discounted security issued by the company; and

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- (b) at any time in or before that period that security has been beneficially owned by a person who at the time was—
  - (i) a participator in the company;
  - (ii) an associate of such a participator; or
  - (iii) a company of which such a participator has control.
- (2) The debits falling in the case of the company to be brought into account for the purposes of this Chapter in respect of the loan relationship shall be adjusted so that no amount is brought into account in respect of the difference between—
  - (a) the issue price of the security, and
  - (b) the amount payable on redemption,for any accounting period before that in which the security is redeemed.
- (3) In this paragraph “relevant discounted security” has the same meaning as in Schedule 13 to this Act; and the provisions of that Schedule shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of paragraph 3(3) of that Schedule.
- (4) In this paragraph—
  - “associate” has the meaning given in section 417(3) and (4) of the Taxes Act 1988;
  - “control” shall be construed in accordance with section 416(2) to (6) of that Act; and
  - “participator” means a person who, by virtue of section 417 of that Act, is a participator in the company for the purposes of Part XI of that Act, other than a person who is a participator for those purposes by virtue only of his holding a relevant discounted security issued by the company.
- (5) In determining whether a person who carries on a business of banking is a participator in a company for the purposes of this paragraph, there shall be disregarded any securities of the company acquired by him in the ordinary course of his business.