



Income Tax Act 2007

2007 CHAPTER 3

PART 8

OTHER RELIEFS

CHAPTER 1

INTEREST PAYMENTS

Loans for interests in close companies [^{F1} etc]

393 Eligibility requirements for interest on loans within section 392

- (1) Interest on a loan within section 392(1) to an individual is eligible for relief only if—
 - (a) when the interest is paid the company is not a close investment-holding company, and
 - (b) the capital recovery condition and either the full-time working conditions or the material interest conditions are met.
- (2) The capital recovery condition is that in the period from the use of the loan to the payment of the interest the individual has not recovered any capital from the company, apart from any amount taken into account under section 406(2) (recovered capital that is treated as a repayment of the loan).
- (3) The full-time working conditions are that—
 - (a) when the interest is paid the individual holds part of the ordinary share capital of the company, and
 - (b) in the period from the use of the loan to the payment of the interest the greater part of the individual's time has been spent in the actual management or conduct of the company or of an associated company of the company.
- (4) The material interest conditions are that—

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- (a) when the interest is paid the individual has a material interest in the company (see section 394), and
- (b) if the company exists wholly or mainly for the purpose of holding investments or other property, either—
 - (i) the condition in subsection (3)(b) is met, or
 - (ii) no property held by the company is used as a residence by the individual.

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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):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)