

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 6: Relationships treated as loan relationships etc

Overview

Chapter 2: Relevant non-lending relationships

Overview

1344. This Chapter brings within the loan relationship provisions money debts which do not fall within the definition of a loan relationship in section 302 because they do not arise from a transaction for the lending of money. The Chapter is based on section 100 of FA 1996.

Section 478: Relevant non-lending relationships: introduction

1345. This section sets out the purpose of the Chapter and provides definitions. It is new.

Section 479: Relevant non-lending relationships not involving discounts

1346. This section deals with the first type of debt which is not a loan relationship because it does not arise from a transaction for the lending of money. It is based on section 100(1) of FA 1996.

1347. The debts within this type do not involve discounts and are debts on which interest, exchange movements or impairment losses arise.

Section 480: Relevant non-lending relationships involving discounts

1348. This section deals with the second type of debt which is not a loan relationship because it does not arise from a transaction for the lending of money. It is based on section 100(1A), (1B) and (3A) of FA 1996.

1349. This type of debt involves discounts, in particular the discount that arises where a sum due in respect of the sale of an asset is payable at a later date with the discount representing compensation for the late payment.

Section 481: Application of Part 5 to relevant non-lending relationships

1350. This section explains how the provisions of Part 5 are to be applied to the preceding sections on non-lending relationships. It is based on section 100(1), (2) to (2ZB) and (3A) of FA 1996.

Section 482: Miscellaneous rules about amounts to be brought into account because of this Chapter

1351. This section provides miscellaneous rules regarding non-lending relationships. It is based on section 100(3B) and (7) of FA 1996.

Section 483: Exchange gains and losses: amounts treated as money debts

1352. This section brings exchange gains and losses on currency holdings and liabilities into the loan relationships legislation by treating them as money debts owed to or by the company. It is based on section 100(10) to (12) of FA 1996.

Section 484: Provision not at arm's length: meaning of "interest" and "money debt"

1353. This section requires references to interest on money debts within this Chapter to include amounts treated as such under Schedule 28AA of ICTA (transfer pricing). It is based on section 100(3) of FA 1996.

Section 485: Exclusion of debts where profits or losses within Part 7 or 8

1354. This section excludes amounts from being brought into account under this Chapter if they are brought into account under the regimes for derivative contracts or intangible fixed assets. It is based on section 100(14) of FA 1996.

Section 486: Exclusion of exchange gains and losses in respect of tax debts etc

1355. This section precludes exchange gains and losses from being taken into account under this Chapter where they arise on certain tax payments or are on sums which are not deductible against trading profits or as management expenses. It is based on section 100(9) of FA 1996.