



Corporation Tax Act 2009

2009 CHAPTER 4

PART 16

COMPANIES WITH INVESTMENT BUSINESS

CHAPTER 4

RULES RESTRICTING DEDUCTIONS

1247 Introduction

- (1) This Chapter contains provisions that restrict the deduction of expenses of management under section 1219.
- (2) Other provisions that prohibit or restrict the deduction of expenses of management under section 1219 include—
 - (a) section 1290 (employee benefit contributions),
 - (b) section 1298 (business entertainment and gifts),
 - (c) section 1302 (social security contributions),
 - (d) section 1303 (penalties, interest and VAT surcharges),
 - (e) section 1304 (crime-related payments),
 - (f) section 200 of FA 2004 (no other relief for employers in connection with contributions),
 - (g) section 246 of FA 2004 (restriction of deduction for non-contributory provision).
- (3) See also section 196A of FA 2004 (employers' contributions: power to restrict relief).

1248 Expenses in connection with arrangements for securing a tax advantage

- (1) No deduction is allowed under section 1219 for any particular expenses of management if any part of those expenses is incurred directly or indirectly in

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consequence of, or otherwise in connection with, any arrangements for securing a tax advantage.

- (2) In subsection (1) “arrangements for securing a tax advantage” means arrangements the main purpose, or one of the main purposes, of which is to secure—
- (a) the allowance of a deduction (or increased deduction) under section 1219, or
 - (b) any other tax advantage.
- (3) Subsection (1) does not apply if, as a result of [^{F1}section 799 of CTA 2010] (manufactured payments under arrangements having an unallowable purpose), the company incurring the expenses is not entitled to a relevant tax relief in respect of, or referable to, the whole or any part of the expenses.
- (4) The reference in subsection (1) to expenses of management includes amounts treated by any provision as deductible under section 1219.
- (5) In this section—
- “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable),
- “relevant tax relief” has the same meaning as in [^{F2}section 799(3) of CTA 2010], and
- “tax advantage” has the meaning given by [^{F3}section 1139 of CTA 2010].

Textual Amendments

- F1** Words in s. 1248(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 689(a)** (with [Sch. 2](#))
- F2** Words in s. 1248(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 689(b)(i)** (with [Sch. 2](#))
- F3** Words in s. 1248(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 689(b)(ii)** (with [Sch. 2](#))

1249 Unpaid remuneration

- (1) This section applies if—
- (a) an amount is charged in respect of employees' remuneration in the accounts for a period of a company with investment business,
 - (b) the amount would apart from this section be deductible under section 1219 as expenses of management, and
 - (c) the remuneration is not paid before the end of the period of 9 months immediately following the end of the period of account.
- (2) If the remuneration is paid after the end of that period of 9 months, the deduction for it is allowed for the period of account in which it is paid (and not in accordance with the timing rule in section 1219(1)).
- (3) No deduction is allowed for the remuneration under section 1219 if it is not paid.

Modifications etc. (not altering text)

- C1** [S. 1249\(1\)\(2\)](#) applied (with effect in accordance with s. 148 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), s. **82(2)(5)** (with s. 147, [Sch. 17](#))

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C2 S. 1249(1)(3) applied (with effect in accordance with s. 148 of the amending Act) by Finance Act 2012 (c. 14), s. 82(3)(5) (with s. 147, Sch. 17)

1250 Unpaid remuneration: supplementary

- (1) For the purposes of section 1249 an amount charged in the accounts in respect of employees' remuneration includes an amount for which provision is made in the accounts with a view to its becoming employees' remuneration.
- (2) For the purposes of section 1249 it does not matter whether an amount is charged for—
 - (a) particular employments, or
 - (b) employments generally.
- (3) If the profits of the company are calculated before the end of the 9 month period mentioned in section 1249(1)(c)—
 - (a) it must be assumed, in making the calculation, that any remuneration which is unpaid when the calculation is made will not be paid before the end of that period, but
 - (b) if the remuneration is subsequently paid before the end of that period, nothing in this subsection prevents the calculation being revised and any tax return being amended accordingly.
- (4) For the purposes of this section and section 1249 remuneration is paid when it—
 - (a) is treated as received by an employee for the purposes of ITEPA 2003 by section 18 or 19 of that Act (receipt of money and non-money earnings), or
 - (b) would be so treated if it were not exempt income.
- (5) In this section and section 1249—

“employee” includes an office-holder and “employment” therefore includes an office, and

“remuneration” means an amount which is or is treated as earnings for the purposes of Parts 2 to 7 of ITEPA 2003.

1251 ^{F4}Car ... hire

- (1) Subsection (2) applies if, in calculating the total profits of a company with investment business, a deduction is allowed under section 1219 for expenses incurred on the hiring of a car [^{F5}which is not—
 - (a) a car that is first registered before 1 March 2001,
 - (b) a car that has low CO₂ emissions,
 - (c) a car that is electrically propelled, or
 - (d) a qualifying hire car.]
- (2) The amount of the deduction which would otherwise be allowable is reduced by [^{F6}15%].
- (3) Subsection (4) applies if a deduction for expenses is reduced as a result of subsection (2) [^{F7}(including as applied by section 82(4) of FA 2012)], or a corresponding provision, and—
 - (a) subsequently—
 - (i) there is a rebate (however described) of the hire charges, or

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- (ii) a debt in respect of any of the hire charges is released otherwise than as part of a statutory insolvency agreement, and
 - (b) a credit representing the rebate, or the amount released, reverses (in whole or in part) a debit representing the expenses.
- (4) In applying subsection (2) of section 1230 (calculation of the reversal amount for the purposes of the claw back rules)—
- (a) take the amount given by Step 1,
 - (b) [^{F8}reduce that amount by 15%] (instead of applying Step 2), and
 - (c) apply Step 3 to the amount given by paragraph (b).
- (5) In this section “corresponding provision” means—
- (a) section 56(2) (car ^{F9}... hire: trade profits and property income), [^{F10}or]
 - (b) section 48(2) of ITTOIA 2005 (car ^{F11}... hire: trade profits and property income), ^{F12}...
 - ^{F12}(c)
- ^{F13}(6)
- (7) Sections 57 (meaning of “car ^{F14}...” and other expressions) and [^{F15}58A (short-term hiring in and long-term hiring out)] apply for the purposes of this section as they apply for the purposes of section 56.
- [^{F16}(8) For the purposes of section 58B of this Act and section 50B of ITTOIA 2005 (connected persons: application of restrictions), this section is to be treated as if it were part of section 56 of this Act.]

Textual Amendments

- F4** Words in s. 1251 heading omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(9)**
- F5** Words in s. 1251(1) substituted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(2)**
- F6** Figure in s. 1251(2) substituted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(3)**
- F7** Words in s. 1251(3) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 208(2)**
- F8** Words in s. 1251(4)(b) substituted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(4)**
- F9** Words in s. 1251(5)(a) omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(5)**
- F10** Word in s. 1251(5)(a) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 208(3)(a)**
- F11** Words in s. 1251(5)(b) omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(5)**
- F12** S. 1251(5)(c) and word immediately preceding it omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 208(3)(b)**
- F13** S. 1251(6) omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(6)**
- F14** Words in s. 1251(7) omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(7)(a)**
- F15** Words in s. 1251(7) substituted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(7)(b)**
- F16** S. 1251(8) inserted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 57(8)**

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Modifications etc. (not altering text)

- C3** S. 1251(1)(2) applied (with effect in accordance with s. 148 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [s. 82\(4\)\(5\)](#) (with [s. 147](#), [Sch. 17](#))

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