



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

[^{F1}PART 10]

[^{F1}CORPORATE INTEREST RESTRICTION]

[^{F1}CHAPTER 9]

CASES INVOLVING PARTICULAR TYPES OF COMPANY OR BUSINESS

Textual Amendments

- F1** Pt. 10: the existing Pt. 10 renumbered as Pt. 11 (except for ss. 375, 376 which are repealed), the existing ss. 372-374, 377-382 renumbered as ss. 499-507 and a new Pt. 10 (ss. 372-498) inserted (with effect in accordance with [Sch. 5 para. 25\(1\)-\(3\)](#) of the amending Act) by [Finance \(No. 2\) Act 2017](#) (c. 32), [Sch. 5 para. 1](#), [10\(1\)\(2\)\(a\)\(3\)](#) (with [Sch. 5 paras. 27, 32-34](#))

Banking companies

450 Banking companies

- (1) This section applies in relation to a banking company carrying on a trade so far as the activities of the trade consist of or include dealing in financial instruments.
- (2) For the purposes of section 382 an amount is treated as meeting condition A, B or C if it is a debit arising directly from dealing in financial instruments other than one in respect of an impairment loss.
- (3) An amount—
 - (a) which is treated as meeting condition A, B or C for the purposes of section 382 as a result of subsection (2) of this section, and

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- (b) which, but for that subsection, would not be a tax-interest expense amount, is to be left out of account, or brought into account, as a result of section 377(2) or 380(2) after the second but before the third kind of tax-interest expense amounts mentioned there.
- (4) For the purposes of section 385 an amount is treated as meeting condition A, B, C or D if it is a credit arising directly from dealing in financial instruments other than one in respect of the reversal of an impairment loss.
- (5) In determining a relevant expense amount under section 411 in the case of the company, that section has effect as if it also included a reference to losses arising directly from dealing in financial instruments other than impairment losses.
- (6) In determining a relevant income amount under section 411 in the case of the company, that section has effect as if it also included gains arising directly from dealing in financial instruments other than the reversal of impairment losses.
- (7) In this section—
 - “banking company” has the same meaning as in Part 7A of CTA 2010 (see sections 269B to 269BD), and
 - “financial instruments” includes—
 - (a) loan relationships,
 - (b) derivative contracts, and
 - (c) shares or other securities.

Oil and gas

451 Oil and gas

- (1) For the purposes of this Part any amount which is, or is taken into account in calculating—
 - (a) the ring fence income of a company within the meaning of section 275 of CTA 2010, or
 - (b) a company's aggregate gain or loss under section 197(3) of TCGA 1992,
is to be ignored.
- (2) For the purpose of applying subsection (1) in relation to the financial statements of a worldwide group of which the company is a member such adjustments are to be made to those statements as are just and reasonable.

REITs

452 Real Estate Investment Trusts

- (1) This section applies if a company (a “property rental business company”)—
 - (a) is a company which has profits for an accounting period which are not charged to corporation tax as a result of section 534(1) or (2) of CTA 2010, or
 - (b) is a company to which gains accrue in an accounting period that are not chargeable gains as a result of section 535(1) or (5) of CTA 2010.
- (2) In this section “the residual business company” means the company which—

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- (a) so far as it carries on residual business, is treated, as a result of section 541 of CTA 2010, as a separate company distinct from the property rental business company, but
- (b) ignoring that section, is in fact the same company as the property rental business company.

[In applying subsection (2) and giving effect to the remainder of this section, the ^{F2}(2A) company is treated, at all times in the accounting period, as carrying on a residual business within the charge to corporation tax (and, accordingly, amounts falling to be brought into account in the accounting period as a result of this section are within the charge to corporation tax).]

(3) In applying the provisions of this Part—

- (a) the property rental business company and the residual business company are at all times to be regarded as separate members of the same worldwide group (despite the provisions of section 541(3) of CTA 2010), but
- (b) in the case of the application of section 433 (qualifying infrastructure company), the property rental business company and the residual business company are to be regarded as being one company (and any election (or its revocation) is, therefore, regarded as made by each company).

(4) This Part has effect as if—

- (a) section 534(1) and (2) of CTA 2010, and
- (b) section 535(1) and (5) of CTA 2010,

do not apply in relation to the property rental business company for the accounting period [^{F3}(and, accordingly, the profits mentioned in section 534(1) or (2) of CTA 2010 are not calculated for the purposes of this Part in accordance with section 599 of that Act)].

[An amount charged on the residual business company as a result of section 543 of ^{F4}(4A) CTA 2010 (excessive property financing costs) is treated for the purposes of this Part as if it met condition A, B, C or D for the purposes of section 385 (tax-interest income amounts).]

[^{F5}(5) The allocated disallowance for the property rental business company (if any) for the accounting period—

- (a) is to be taken into account in calculating the profits of the property rental business for the purposes of section 530 of CTA 2010 (condition as to distribution of profits), but
- (b) must be limited to such amount as secures that neither subsection (3)(b) nor subsection (5) of that section (distribution of profits not required if would result in unlawful distribution) applies.]

(6) This subsection—

- (a) sets out steps to be taken in order to facilitate the operation of Chapter 2 (disallowance and reactivation of tax-interest expense amounts), and
- (b) has effect in relation to an accounting period of the residual business company whether or not it has net tax-interest expense referable to that period.

If the residual business company does not have net tax-interest expense referable to that period, it is treated for the purposes of steps 1 to 4 in the rest of this subsection as if it had instead a nil amount of tax-interest expense referable to that period.

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Step 1 Determine the maximum amount that could be the allocated disallowance for the property rental business company for the accounting period if subsection (5) were ignored and the maximum amount that could be the allocated disallowance for the residual business company for the accounting period (ignoring step 5). The sum of those maximum amounts is referred to in this subsection as “the total REIT expenses”.

Step 2 Determine the amount (if any) that is the allocated disallowance for the property rental business for the accounting period, applying subsection (5) and all other rules in this Part. This amount is referred to in this subsection as “the actual disallowed amount”.

Step 3 Deduct from the total REIT expenses the actual disallowed amount.

Step 4 Determine whether so much of the total REIT expenses as remains after step 3 exceeds the net tax-interest expense of the residual business company referable to the accounting period (ignoring step 5).

Step 5 If the application of step 4 produces an excess, the residual business company is required to bring into account in the accounting period matching tax-interest expense and income amounts in accordance with the following provisions of this section.

(7) The residual business company—

- (a) must bring a tax-interest expense amount equal to the excess into account in the accounting period, and
- (b) must bring a tax-interest income amount equal to the excess into account in the accounting period,

but nothing in this subsection affects any calculation required under any other provision of this Part in relation to the accounting period of the residual business company.

(8) The bringing into account of a tax-interest expense amount under subsection (7) is subject to the operation of the other provisions of this Part (which may result in some or all of the amount not being brought into account).

(9) The tax-interest expense amount under subsection (7) must be matched in amount and nature to an amount comprised in the total REIT expenses.

Section 377(2) to (4) (which, subject to an election made by the company, set out the order in which amounts are left out of account) apply for the purposes of this subsection.

(10) The tax-interest expense or income amounts under subsection (7) are treated as being of the same nature as each other.

(11) An interest restriction return—

- (a) must, in relation to any company carrying on residual business or property rental business, specify that fact, and
- (b) must contain information about how the return has taken into account the effect of this section.

(12) Expressions which are used in this section and in Part 12 of CTA 2010 have the same meaning in this section as they have in that Part.

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Textual Amendments

- F2** S. 452(2A) inserted (retrospectively) by [Finance Act 2021 \(c. 26\), s. 38\(2\)\(3\)](#)
- F3** Words in s. 452(4) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by [Finance Act 2019 \(c. 1\), Sch. 11 para. 14\(2\)](#)
- F4** S. 452(4A) inserted (retrospectively) by [Finance Act 2019 \(c. 1\), Sch. 11 paras. 14\(3\), 24](#)
- F5** S. 452(5) substituted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by [Finance Act 2019 \(c. 1\), Sch. 11 para. 14\(4\)](#)

Insurance companies etc

453 Insurance entities

- (1) This section applies where—
- (a) an insurance entity is a member of a worldwide group,
 - (b) the entity has a subsidiary (“S”) which it holds as a portfolio investment, and
 - (c) apart from this section, S would be a member of the group.
- (2) For the purposes of this Part—
- (a) the group does not include S (or its subsidiaries), and
 - (b) accordingly, none of those entities is regarded as a consolidated subsidiary of any member of the group.
- (3) For the purposes of this section an insurance entity holds an interest in an entity as “a portfolio investment” if—
- (a) the insurance entity holds the interest as an investment, and
 - (b) the insurance entity judges the value that the interest has to it wholly or mainly by reference to the market value of the interest.
- (4) In this section—
- “insurance entity” means—
- (a) an insurance company,
 - (b) a friendly society within the meaning of Part 3 of FA 2012 (see section 172), or
 - (c) a body corporate which carries on underwriting business as a member of Lloyd's, and
- “subsidiary” has the meaning given by international accounting standards.

454 Members of Lloyd's

In the case of a body corporate carrying on underwriting business as a member of Lloyd's—

- (a) any reference in this Part to an amount being brought into account under Part 3 of CTA 2009 as a result of section 297 or 573 of that Act is to be read as a reference to its being brought into account under that Part as a result of section 219 of FA 1994, and
- (b) any reference in this Part to a derivative contract is to be read as if subsection (3) of section 226 of FA 1994 (which provides that relevant

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contracts forming part of a premium trust fund are not derivative contracts) were omitted.

[^{F6}Investment managers

Textual Amendments

F6 S. 454A and cross-heading inserted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 12, 23\(1\)](#)

454A Investments held by investment managers

(1) This section applies where—

- (a) an entity (“S”) [^{F7}would, apart from this section, be a member of a worldwide group] as a result of one or more other members of the group managing S and holding rights or interests in relation to S,
- (b) the entity managing S does so in the ordinary course of carrying on a business of providing investment management services, and
- (c) the management of S is not coordinated to any extent with the management by any person of any other entity.

[Except in a case within subsection (2), for the purposes of this Part—

- ^{F8}(1A) (a) the group does not include S (or its subsidiaries), and
 (b) accordingly, none of those entities is regarded as a consolidated subsidiary of any member of the group.]

(2) [^{F9}Where S is a partnership or another transparent entity, for the purposes of this Part]—

- (a) the group does not include entities that are subsidiaries of S, and
- (b) accordingly, none of those entities is regarded as a consolidated subsidiary of any member of the group.

(3) In this section “subsidiary” has the meaning given by international accounting standards.]

Textual Amendments

F7 Words in s. 454A(1)(a) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 3 para. 18\(2\)](#)

F8 [S. 454A\(1A\)](#) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 3 para. 18\(3\)](#)

F9 Words in s. 454A(2) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 3 para. 18\(4\)](#)

Shipping companies

455 Shipping companies subject to tonnage tax

(1) This section applies in relation to an accounting period of a tonnage tax company.

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- (2) The company's tonnage tax profits for the accounting period are treated as nil for the purpose of calculating the company's adjusted corporation tax earnings for the accounting period under section 406(2).
- (3) In this section “tonnage tax company” and “tonnage tax profits” have the same meaning as in Schedule 22 to FA 2000 (see paragraphs 2 to 5).

Fair value accounting

456 Creditor relationships of companies determined on basis of fair value accounting

- (1) A company may elect for all of its creditor relationships which are dealt with on the basis of fair value accounting (“fair-value creditor relationships”) to be subject to the provision made by this section for all of its accounting periods.
- (2) For the purpose of calculating under this Part—
 - (a) tax-interest expense amounts of the company, and
 - (b) tax-interest income amounts of the company,the relevant loan relationship debits and relevant loan relationship credits in respect of the company's fair-value creditor relationships are instead to be determined for the accounting periods on an amortised cost basis of accounting.
- (3) If—
 - (a) a company has a hedging relationship between a relevant contract (“the hedging instrument”) and the asset representing a loan relationship subject to the election, and
 - (b) the loan relationship is dealt with in the company's accounts on the basis of fair value accounting,it is to be assumed in applying the amortised cost basis of accounting that the hedging instrument has where possible been designated for accounting purposes as a fair value hedge of the loan relationship.
- (4) An election under this section—
 - (a) must be made before the end of 12 months from the end of the relevant accounting period,
 - (b) has effect for that accounting period and all subsequent accounting periods, and
 - (c) is irrevocable.
- (5) For this purpose “relevant accounting period” means—
 - (a) the first accounting period in which the company has a fair-value creditor relationship, or
 - (b) if that accounting period has ended before 1 April 2017, the first accounting period in relation to which any provision of this Part applies.
- (6) In this section “amortised cost basis of accounting”, in relation to an accounting period, has the same meaning as in Part 5 of CTA 2009 (see section 313), but, in the case of creditor relationships relating to insurance activities, as if that basis of accounting required recognition only of—
 - (a) interest accrued for the period in respect of the creditor relationships, or

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- (b) if the creditor relationships arise as a result of section 490 of CTA 2009 (OEICs, unit trusts and offshore funds), amounts that can reasonably be regarded as equating to interest accrued for the period in respect of those relationships.
- (7) In subsection (6) “creditor relationships relating to insurance activities” means creditor relationships which—
 - (a) are held by an insurance company, a friendly society within the meaning of Part 3 of FA 2012 (see section 172) or a body corporate which carries on underwriting business as a member of Lloyd's, or
 - (b) are held in connection with the regulation of underwriting business carried on by members of Lloyd's.
- (8) The Commissioners may by regulations amend the definition of “amortised cost basis of accounting” in this section.
- (9) Other expressions which are used in this section and in Part 5 of CTA 2009 have the same meaning in this section as they have in that Part.

457 Elections under section 456: deemed debits and credits

- (1) This section applies if—
 - (a) as a result of an election under section 456, the tax-interest expense amounts of a company include notional debits for an accounting period,
 - (b) the worldwide group of which the company is a member is subject to interest restrictions for a period of account, and
 - (c) the total disallowed amount for the period of account consists of or includes the notional debits.
- (2) In order to facilitate the operation of Chapter 2 (disallowance and reactivation of tax-interest expense amounts)—
 - (a) the company must bring a debit equal to the amount of the notional debits into account in the accounting period, and
 - (b) the company must bring a credit equal to the amount of the notional debits into account in the accounting period,
 but nothing in this subsection affects any calculation required under any other provision of this Part in relation to the accounting period of the company.
- (3) The bringing into account of a debit under subsection (2)(a) is subject to the operation of the other provisions of this Part (which may result in some or all of the debit not being brought into account).
- (4) The debits and credits under subsection (2) are of the same nature as the notional debits that give rise to them.
- (5) For the purposes of this section a debit is a “notional debit” if the debit is created as a result of the determination required by the election or so far as the amount of the debit is increased as a result of that determination.

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Exemption for tax-interest expense or income amounts

458 Co-operative and community benefit societies etc

- (1) This section applies where—
- (a) apart from this section, an amount would be a tax-interest expense amount or tax-interest income amount of a company as a result of meeting condition A in section 382 or 385 (loan relationships), and
 - (b) the amount meets that condition only because of section 499 of CTA 2009 (certain sums payable by co-operative and community benefit societies or UK agricultural or fishing co-operatives treated as interest under loan relationship).
- (2) The amount is treated as not being a tax-interest expense amount or tax-interest income amount of the company.

459 Charities

- (1) This section applies where—
- (a) apart from this section, an amount would be a tax-interest expense amount of a company as a result of meeting condition A in section 382 (loan relationship debits),
 - (b) the creditor is a charity,
 - (c) the company is a wholly-owned subsidiary of the charity, and
 - (d) the charitable gift condition is met at all times during the accounting period in which the amount is (or apart from this Part would be) brought into account.
- (2) The amount is treated as not being a tax-interest expense amount of the company.
- (3) For the purposes of this section the “charitable gift condition” is met at any time at which, were the company to make a donation to the charity at that time, it would be a qualifying charitable donation (see section 190 of CTA 2010).
- (4) In this section—
- “charity” has the same meaning as in Chapter 2 of Part 6 of CTA 2010 (see section 202 of that Act as read with Schedule 6 to FA 2010), and
 - “the creditor” means the person who is party to the loan relationship in question as creditor.

Leases

460 Long funding operating leases and finance leases

- (1) In calculating a company's adjusted corporation tax earnings for an accounting period under section 406(2), each of the following amounts is to be ignored—
- (a) the amount of a deduction under section 363 of CTA 2010 (lessor under long funding operating lease);
 - (b) the amount by which a deduction is reduced under section 379 of CTA 2010 (lessee under long funding operating lease);
 - (c) the capital component of the company's rental earnings under a finance lease which is not a long funding finance lease;

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- (d) the amount of depreciation in respect of any asset leased to the company under a finance lease which is not a long funding finance lease.
- (2) The definition of “relevant capital expenditure” in section 417(2) includes the amount of depreciation in respect of any relevant asset leased under a finance lease for some or all of the relevant period of account to a company that is a member of the worldwide group in question.
- (3) For the purposes of this section the capital component of a company's rental earnings under a finance lease is so much of those earnings as do not constitute tax-interest income amounts of the company.
- (4) For the purposes of this section the amount of depreciation in respect of any asset leased to a company under a finance lease is the amount which, in accordance with generally accepted accounting practice, falls (or would fall) to be shown as depreciation in respect of the asset in the applicable accounts.
- (5) In this section “the applicable accounts” are—
 - (a) in a case within subsection (1)(d), the company's accounts for any period, and
 - (b) in a case within subsection (2), the financial statements of the worldwide group for the relevant period of account in question.
- (6) In this section “long funding finance lease” means a finance lease which is a long funding lease (within the meaning of section 70G of CAA 2001).]

Changes to legislation:

There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 9.