

SCHEDULES

SCHEDULE 12

Section 29

ELIMINATING TAX MISMATCH FOR CERTAIN DEBT

Loan relationships with qualifying link

1 After section 352A of CTA 2009 insert—

“352B Eliminating tax mismatch for loan relationships with qualifying link

- (1) This section applies if—
 - (a) section 349 applies in respect of a loan relationship of a company for an accounting period (application of amortised cost basis to connected companies relationships),
 - (b) the company is a party to another loan relationship (“the external loan relationship”) in respect of which that section does not apply for the period,
 - (c) the external loan relationship is a debtor relationship dealt with in its accounts on the basis of fair value accounting, and
 - (d) the external loan relationship has a qualifying link with one or more other loan relationships of the company.
- (2) For this purpose the external loan relationship has “a qualifying link” with one or more other loan relationships of the company if—
 - (a) each of those other loan relationships of the company is a loan relationship in respect of which section 349 applies for the accounting period, and
 - (b) taking those other loan relationships together, the money received by the company under the external loan relationship is wholly or mainly used to lend money under those other loan relationships.
- (3) The credits and debits which are to be brought into account for the purposes of this Part in respect of the external loan relationship for the period are to be determined on an amortised cost basis of accounting.
- (4) If a company has a hedging relationship between—
 - (a) a relevant contract (“the hedging instrument”), and
 - (b) the liability representing the external loan relationship,it is to be assumed in applying the amortised cost basis of accounting for the purposes of subsection (3) that the hedging instrument has where possible been designated for accounting purposes as a fair value hedge of that loan relationship.”

2 In section 465B of CTA 2009 (meaning of “tax-adjusted carrying value”), in subsection (9), after paragraph (k) insert—

Status: This is the original version (as it was originally enacted).

“(ka) section 352B (eliminating tax mismatch for loan relationships with qualifying link),”.

Commencement and transitional provisions

- 3 (1) The amendments made by this Schedule have effect for accounting periods beginning on or after 1 January 2019.
- (2) An accounting period beginning before and ending on or after 1 January 2019 is to be treated for the purposes of any provision made by this Schedule as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.
- 4 (1) This paragraph applies in relation to an accounting period of a company beginning on 1 January 2019 (“the 2019 period”) to bring in credits or debits in respect of a loan relationship which is the external loan relationship for the purposes of section 352B of CTA 2009 so far as they would not otherwise be brought into account.
- (2) If there is a difference between—
- (a) the tax-adjusted carrying value of the liability representing the external loan relationship at the end of the accounting period of the company ending on 31 December 2018, and
 - (b) the tax-adjusted carrying value of that liability at the beginning of the 2019 period,
- a credit or debit (as the case may be) of an amount equal to the difference must be brought into account for the purposes of Part 5 of CTA 2009 for the 2019 period in the same way as a credit or debit which is brought into account in determining the company’s profit or loss for that period in accordance with generally accepted accounting practice.
- (3) Section 465B of CTA 2009 (meaning of “tax-adjusted carrying value”) applies for the purposes of this paragraph as it applies for the purposes of Part 5 of that Act.

Power to amend section 352B of CTA 2009

- 5 (1) The Treasury may by regulations amend section 352B of CTA 2009.
- (2) The power conferred by this paragraph may not be exercised after 31 December 2019.
- (3) The regulations may contain incidental, supplementary, consequential and transitional provision and savings.
- (4) The consequential provision that may be made by the regulations includes provision amending any provision made by or under any Act.
- (5) The regulations may contain retrospective provision.