



Income Tax Act 2007

2007 CHAPTER 3

PART 8

OTHER RELIEFS

[^{F1}CHAPTER 1A

IRRECOVERABLE PEER-TO-PEER LOANS

[^{F1}The relief

Textual Amendments

F1 Pt. 8 Ch. 1A inserted (15.9.2016) by Finance Act 2016 (c. 24), s. 32(2)

412A Relief for irrecoverable peer-to-peer loans

- (1) A person (“L”) is entitled to relief under this section if—
 - (a) L has made a peer-to-peer loan (“the relevant loan”),
 - (b) the loan was made through an operator,
 - (c) L has not assigned the right to recover the principal of the loan, and
 - (d) any outstanding amount of the principal of the loan has, on or after 6 April 2015, become irrecoverable.
- (2) But if the outstanding amount became irrecoverable before 6 April 2016 L is entitled to relief under this section only on the making of a claim.
- (3) The relief is given by deducting the outstanding amount in calculating L's net income for the tax year in which the amount became irrecoverable (see Step 2 of the calculation in section 23).

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- (4) The deduction under this section is to be made only from income arising from the payment to L of interest on—
- (a) the relevant loan, and
 - (b) any other loan within subsection (5) or (6).
- (5) A loan is within this subsection if—
- (a) it is a peer-to-peer loan made by L, and
 - (b) it was made through the operator through whom the relevant loan was made.
- (6) A loan is within this subsection if—
- (a) the loan was made by someone other than L,
 - (b) the right to receive interest on the loan has been assigned to L,
 - (c) the right was assigned through the operator through whom the relevant loan was made, and
 - (d) either—
 - (i) L is a person within paragraph (a), (b) or (c) of section 412I(4), or
 - (ii) the recipient of the loan is a person within one of those paragraphs and the loan is a personal or small loan.
- (7) The amount deducted under this section is limited in accordance with section 25(4) and (5).
- (8) In this section “irrecoverable” means irrecoverable other than by legal proceedings or by the exercise of any right granted by way of security for the loan.

412B Claims for additional relief: sideways relief

- (1) A person (“L”) may make a claim for relief under this section if—
- (a) L is entitled to relief under section 412A in respect of any outstanding amount of the principal of a loan (“the relevant loan”), but
 - (b) in the tax year in relation to which L is entitled to that relief (“the relevant year”)—
 - (i) L has no income of the kind mentioned in section 412A(4) from which to deduct the outstanding amount, or
 - (ii) L has insufficient income of that kind to enable the outstanding amount to be deducted in full under that section.
- (2) The claim is for the outstanding amount or (in a case within subsection (1)(b)(ii)) the part of the outstanding amount not capable of being deducted under section 412A to be deducted under this section in calculating L's net income for the relevant year.
- (3) The deduction under this section is to be made only from income arising from the payment to L of interest on loans within subsection (4) or (5).
- (4) A loan is within this subsection if—
- (a) it is a peer-to-peer loan made by L, and
 - (b) it was made through an operator who is not the operator through whom the relevant loan was made.
- (5) A loan is within this subsection if—
- (a) the loan was made by someone other than L,
 - (b) the right to receive interest on the loan has been assigned to L,

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- (c) that right was assigned through an operator who is not the operator through whom the relevant loan was made, and
 - (d) either—
 - (i) L is a person within paragraph (a), (b) or (c) of section 412I(4), or
 - (ii) the recipient of the loan is a person within one of those paragraphs and the loan is a personal or small loan.
- (6) The amount deducted under this section is limited in accordance with section 25(4) and (5).

412C Claims for additional relief: carry-forward relief

- (1) A person (“L”) may make a claim for relief under this section if—
- (a) L is entitled to relief under section 412A in respect of any outstanding amount of the principal of a loan (“the relevant loan”), but
 - (b) in the tax year in relation to which L is entitled to that relief (“the relevant year”)—
 - (i) L has no income of the kind mentioned in section 412A(4) or section 412B(3) from which to deduct the outstanding amount, or
 - (ii) L has insufficient income of that kind to enable the outstanding amount to be deducted in full under those sections.
- (2) The claim is for the outstanding amount or (in a case within subsection (1)(b)(ii)) the part of the outstanding amount not capable of being deducted under sections 412A and 412B to be deducted under this section in calculating L's net income for the four tax years following the relevant year.
- (3) The deduction under this section is to be made only from income arising from the payment to L of interest on—
- (a) the relevant loan, and
 - (b) any other loan within subsection (4) or (5).
- (4) A loan is within this subsection if—
- (a) it is a peer-to-peer loan made by L, and
 - (b) it was made through an operator (whether or not that operator is the operator through whom the relevant loan was made).
- (5) A loan is within this subsection if—
- (a) the loan was made by someone other than L,
 - (b) the right to receive interest on the loan has been assigned to L,
 - (c) that right was assigned through an operator (whether or not that operator is the operator through whom the relevant loan was made), and
 - (d) either—
 - (i) L is a person within paragraph (a), (b) or (c) of section 412I(4), or
 - (ii) the recipient of the loan is a person within one of those paragraphs and the loan is a personal or small loan.
- (6) This section needs to be read with section 412D (how relief works).

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412D How carry-forward relief works

- (1) This subsection explains how deductions are to be made under section 412C.

The amount to be deducted at any step is limited in accordance with section 25(4) and (5).

Step 1 Deduct the outstanding amount or (in a case within section 412C(1)(b)(ii)) the part of the outstanding amount not capable of being deducted under sections 412A and 412B from the lending income for the first tax year following the relevant year.

Step 2 Deduct from the lending income for the second tax year following the relevant year any part of the outstanding amount not previously deducted.

Step 3 Apply Step 2 in relation to the lending income for the third and fourth tax years following the relevant year, stopping if all of the outstanding amount is deducted.

- (2) In this section—

“lending income” means income of a kind mentioned in section 412C(3);

“relevant year” has the meaning given by section 412C(1)(b).]

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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.)