

## SCHEDULES

### SCHEDULE 12

#### 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.”