Finance Act 2019

2019 CHAPTER 1

PART 1

DIRECT TAXES

International matters

20 Controlled foreign companies: finance company exemption and control

(1) Part 9A of TIOPA 2010 (controlled foreign companies) is amended as follows.

(2) In section 371IA (exemptions for profits from qualifying loan relationships), in subsection (4), for the words from "the profits" to the end substitute

"so much of the profits of all its qualifying loan relationships taken together as are non-trading finance profits which—

(a) fall within section 371EC (capital investment from the UK), and

(b) do not fall within section 371EB (UK activities)."

(3) In section 371RA (overview of Chapter 18), in subsection (2), for "Section 371RC sets" substitute " Sections 371RC and 371RG set ".

(4) After section 371RF insert—

"371RG Companies in which a UK resident company has more than a 50% investment

(1) If a UK resident company (whether alone or together with any associated enterprises) directly or indirectly has more than a 50% investment in a non-UK resident company, the non-UK resident company is to be taken to be a CFC (if it would not otherwise be).

(2) A person ("P") is an "associated enterprise" in relation to a UK resident company if—

(a) P directly or indirectly has a 25% investment in the company (or vice versa), or

(b) another person directly or indirectly has a 25% investment in each of P and the company.

(3) Section 259ND (meaning of "50% investment" and "25% investment") applies for the purposes of determining for the purposes of this section—

(a) whether a person has "more than a 50% investment" in another person, and

(b) whether a person has a "25% investment" in another person,

and, accordingly, references in section 259ND to "X%" are to be read as references to more than 50% or to 25% (as appropriate) and references in that section to "X% or more" are to be read as references to more than 50% or to 25% or more (as appropriate)."

(5) The amendments made by this section have effect in relation to accounting periods of CFCs beginning on or after 1 January 2019.

(6) For the purposes of subsection (5), if a CFC has an accounting period beginning before, and ending on or after, that date ("the straddling period")—

(a) so much of the straddling period as falls before that date, and so much of it as falls on or after that date, are treated as separate accounting periods, and

(b) if it is necessary to apportion an amount for the straddling period to the two separate periods, it is to be apportioned—

(i) on a time basis according to the respective length of the separate periods, or

(ii) if that would produce a result that is unjust or unreasonable, on a just and reasonable basis.

(7) In this section "CFC" has the same meaning as in Part 9A of TIOPA 2010.

Changes to legislation:
There are currently no known outstanding effects for the Finance Act 2019, Section 20.