

Effect of release, etc. of debt in respect of loan under section 438. CTA76 s99(1), (2) and (4) 439.—(1)
Subject to this section, where a company is assessed or liable to be assessed under section 438 in respect of a loan or advance and releases or writes off the whole or part of the debt in respect of the loan or advance, then—

(a) for the purpose of computing the total income of the person to whom the loan or advance was made, a sum equal to the amount so released or written off shall be treated as income received by such person after deduction of income tax by virtue of section 238 (at the standard rate for the year of assessment in which the whole or part of the debt was released or written off) from a corresponding gross amount,

(b) no repayment of income tax shall be made in respect of that income,

(c) notwithstanding paragraph (a), the income included by virtue of that paragraph in the total income of that person shall be treated for the purposes of sections 237 and 238 as not brought into charge to income tax, and

(d) for the purposes of section 59 (ii), any amount to be treated as income by virtue of paragraph (a) shall be treated as if income tax had been deducted from that amount at the standard rate for the year of assessment in which the whole or part of the debt was released or written off; but, where such amount (or the aggregate of such amounts if more than one) exceeds the amount of the individual's taxable income charged at the standard rate or the higher rate, the amount of the credit under section 59 (ii) in respect of the excess shall not, notwithstanding anything in section 59, exceed the amount of the income tax, if any, charged on that excess.

(2) If the loan or advance referred to in subsection (1) was made to a person who has since died, or to trustees of a trust which has come to an end, this section, instead of applying to the person to whom it was made, shall apply to the person from whom the debt is due at the time of release or writing off of Part 32, the amount treated as received by such person shall be, as regards the higher rate of tax, included for the purposes of that Chapter in the aggregate income of the estate), and subsection (1) shall apply accordingly with the necessary modifications.

(3) This section shall be construed together with section 438.