

Traders other than dealers in securities. ITA67 s370; CTA76 Sch2 Pt1 par19 751.—(1) Where the first buyer carries on a trade not within section 749, then, in ascertaining—

(a) for the purposes of income tax, whether any, and if so what, repayment of tax is to be made to the first buyer under section 381 by reference to any loss sustained in the trade for the year of assessment the first buyer's income for which includes the interest, there shall be disregarded—

(i) the appropriate amount in respect of the interest determined in accordance with Schedule 21, and

(ii) any tax paid on that amount;

(b) for the purposes of corporation tax, the income or profits against which the loss may be set off under section 157 or 396, there shall be disregarded the appropriate amount in respect of the interest determined in accordance with Schedule 21.

(2) Where the first buyer is a body corporate and carries on a trade not within section 749 or a business consisting mainly in the making of investments, then, if any annual payment payable by the body corporate is to any extent payable out of the interest, that annual payment shall be deemed to that extent—

(a) for the purposes of income tax, not to be payable out of profits or gains brought into charge to tax, and section 238 shall apply accordingly, and

(b) for the purposes of corporation tax, not to be a payment which is a charge on income.