

Tax-free securities: exclusion of interest on borrowed money. CTA76 s52(1) to (4) and (6) 846.—(1) This section shall apply where section 845 (4) applies to a business for any accounting period.

(2) Up to the amount determined under this section (in this section referred to as “the amount ineligible for relief”), interest becoming due for payment on money borrowed for the purposes of the business—

(a) shall be excluded in any computation under the Tax Acts of the profits or loss arising from the business, and

(b) shall be excluded from the definition of “charges on income” in section 243.

(3) In determining the amount ineligible for relief, account shall be taken of all money borrowed for the purposes of the business outstanding in the accounting period up to the total cost of the tax-free securities held for the purposes of the business in that period; but account shall not be taken of any borrowed money carrying interest which apart from subsection (2) would not be included in the computation under paragraph (a) of that subsection and would not be treated as a charge on income for the purposes of the Corporation Tax Acts.

(4) The amount ineligible for relief shall be equal to a year's interest on the amount of money borrowed which is to be taken into account under subsection (3) at a rate equal to the average rate of interest in the accounting period on money borrowed for the purposes of the business, except that in the case of an accounting period of less than 12 months interest shall be taken for that shorter period instead of for a year.

(5) For the purposes of this section, the cost of a holding of tax-free securities which has fluctuated in the accounting period shall be the average cost of acquisition of the initial holding, and of any subsequent acquisitions in the accounting period, applied to the average amount of the holding in the accounting period, and this subsection shall be applied separately to securities of different classes.