HMRC - CFM44300 - Loan Relationships: Other Tax Rules: Distributions

Interactions with distributions legislation

Although an alternative finance return is dependent on the result of part of the financial institution’s business it is specifically excluded from being a distribution under CTA10/S1019.

This applies to all payments or credits of an alternative finance return on or after 6 April 2005 made under a deposit arrangement.

For profit share agency arrangements this applies to payments or credits under the profit share agency arrangement from 1 April 2006 for corporation tax; and 6 April 2006 for income tax.

These commencement dates apply even if the profit share agency arrangement was entered into before that date.

Similarly, neither additional payments nor any part of the redemption payments (CFM44160) made to holders of alternative finance investment bonds can be a distribution under CTA10/Part 23, even though it might be argued that payment of the full amounts depends on the results of the issuing company’s business.

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