HMRC - CFM95190 - Glossary Of Terms

Section 1.01 Introduction

This glossary is designed to give a brief description of each term and provide you with a link to the most relevant provision in the corporate interest restriction (CIR) legislation and the most relevant guidance.

There is also a collation of terms particularly relevant to carry-forward rules at CFM98220.

An index of defined expressions used in TIOPA10/PT10 can be found at TIOPA10/SCH11/PT7.

Abbreviated interest restriction return (for a worldwide group)

TIOPA10/SCH7A/PARA20 CFM98440

An abbreviated interest restriction return is an

Abbreviated return election

TIOPA10/SCH7A/PARA18 CFM98460, CFM98440

A

Accounting period

CTA09/CH2

This term is used in relation to

Accounts-free period

TIOPA110/S485, 486 CFM95420 CFM95430

A period for which a

Adjusted net group-interest expense (of a worldwide group) - ANGIE

TIOPA10/S413 CFM95950

Adjusted net group-interest expense of the worldwide group (ANGIE) is added to any

Aggregate net tax-interest expense (of a worldwide group)

TIOPA10/S390 CFM95605

The aggregate net tax-interest expense of a

A negative sum is treated as zero (and would constitute the group’s

Aggregate net tax-interest income (of a worldwide group)

TIOPA10/S390 CFM95605

The aggregate net tax-interest income of a

It is a component of

Aggregate tax-EBITDA (of a worldwide group)

TIOPA10/S405

Aggregate tax-EBITDA is a tax measure of the

Aggregate tax-EBITDA is used in the calculation of the

Alternative calculation

TIOPA10/S423-S426 CFM96630

The alternative calculation provisions are applied where an

Application of the method can change the amounts brought into account in respect of capitalised interest, employer’s pension contributions, employee share schemes and changes in accounting policy.

Amount available for reactivation (of a company)

TIOPA10/SCH 7A/PARA26 CFM98620

This amount limits the amount of previously disallowed

The formula is not straightforward, because it must deal with company accounting periods that may not coincide with the worldwide group’s period of account and the possibility that a company may join or leave a worldwide group during the group’s period of account. The limit is the lower of two amounts. The first is the worldwide group’s interest reactivation cap restricted on a time basis where the company is not a member of the group for its entire period of account. The second is the amount of cumulative disallowed tax-interest of the company that has not either already been reactivated in or before the company’s “specified accounting period” (or, where that accounting straddles two worldwide group periods of account, offset against amounts that would otherwise have been disallowed).

The specified accounting period is the first

Within a worldwide group period of account, amounts must be reactivated in an earlier company accounting period before a later one.

Associate

TIOPA10/S429(5)

In the context of the definition of a

Associated

TIOPA10/S449(2) CFM97420

For the purposes of the public infrastructure provisions in Chapter 8, a company is associated with another company where the companies are members of the same

Associated worldwide group

TIOPA10/S428 CFM96770

This is a term used in the rules describing the

Available (interest allowance of a worldwide group)

TIOPA10/S393 CFM98240

This is the amount of

Basic interest allowance (of a worldwide group)

TIOPA10/S396(2) CFM95220

Computation of a

Where the fixed ratio method applies, it is the lower of:

30% (the fixed ratio) of

the

Where the group ratio method applies, it is the lower of:

the result of multiplying aggregate tax-EBITDA of the worldwide group by the group’s

the

Blended group ratio election

TIOPA10/SCH7A/PARAS12(3)(b), 14 CFM98460

This is an election to apply the

Blended group ratio provisions

TIOPA10/S401-S404 CFM96850

This is an alternative method of computing the group ratio where a number of investors holds a group (a joint venture). It cannot be made unless a shareholder is a

Consenting company

TIOPA10/SCH7A/PARAS10, 11, 1(6) CFM98570

A consenting company is a

A company becomes a consenting company if it has notified HMRC and the group’s reporting company that it wishes to be a consenting company. The company is deemed to have made a notification if it is listed as a company authorising the appointment of the reporting company and it is not stated in the list that it does not wish to be treated as a consenting company.

In either case, it may cease to be treated as a consenting company by notifying the reporting company and HMRC to this effect.

Consolidated financial statements

The term “consolidated financial statements” as used, for example, in the definition of

Consolidated partnership

TIOPA10/S430(4)-(6) CFM96830

A consolidated partnership is a partnership whose results are consolidated in the financial statements of the

Consolidated subsidiary (of another entity)

TIOPA10/S475 CFM95460

A consolidated subsidiary is a subsidiary which, applying

De minimis amount (for a worldwide group)

TIOPA10/S392(3) CFM95220, CFM98220

The de minimis amount for a

Debt cap

TIOPA10/S400 CFM95230 CFM95240

This is a measure based on the net external interest and similar expense (

Defined expressions

An index of defined expressions used in TIOPA10/PT10 can be found at TIOPA10/SCH11/PT7.

Determination

TIOPA10/SCH7A/PARAS56-58 CFM98560 CFM98870

The legislation permits HMRC to make a determination on a

The first is where a

The second circumstance is where a closure notice has been issued in respect of an interest restriction return enquiry, but the reporting company neither has appealed nor competed the actions required by the closure notice.

Disallowance

TIOPA10/S378(1)

Disallowance is the process of applying an interest restriction. The process involves leaving

The pro-rata share is also disallowed where the

A disallowance can also arise or in consequence of a

Disallowed tax-interest amounts carried forward (by a company)

TIOPA10/S378

Where a company as the result of an interest restriction has disallowed an amount of tax-interest, the company may carry it forward and it is potentially subject to

Disregarded period (of a company)

TIOPA10/S382(7), S385(8), S406(6) CFM95620, CFM95730

These are periods within a company’s accounting period that fall outside the

Elections

The legislation contains a number of elections that may be made and, in some cases, revoked. For detail, see the relevant guidance signposted from this glossary.

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The following elections may be included in a company tax return:

Election by non-consenting company not to accept allocated disallowance (TIOPA10/S375(3) SCH7A/PARA69, CFM98650).

Election by a company to override the default method for identifying items of tax-interest that are disallowed (TIOPA10/S377(3), Para 69(5), CFM98660).

Election by a company to override the default method for identifying items of tax-interest that are reactivated (TIOPA10/S387(3), Para 69(5), CFM98690).

The following further elections are also possible:

Creditor loan relationships at fair value. A company may elect under TIOPA10/S456 that certain creditor loan relationships carried at fair value, but subject to hedges should be treated as if accounted for on an amortised cost basis, modified in relation to insurance activities. See CFM97525.

Where the

Election to set an end date for

The following elections relate to commencement or transition:

PT4/P31. This allows a

PT4/P32.This is a transitional election relating to

Eligible company

TIOPA10/SCH7A/PARA1(7), 2(7) CFM98470

In the context of the appointment of a

Enquiry

See “

Entity

See under “

Excess Debt Cap (for a worldwide group)

TIOPA10/S400(3) - (7) CFM98250

Excess debt cap can arise where a

Fair value accounting

TIOPA10

Fair value accounting means a basis of accounting under which assets and liabilities are measured in the company’s balance sheet at their fair value, and changes in the fair value of assets and liabilities are recognised as items of profit or loss.

Filing date

TIOPA10/SCH7A/PARA7(5), CFM98520

Where a

12 months after the end of the period of account to which the return relates; or

3 months after the appointment the reporting company.

Penalties apply where the return has not been submitted by the filing date - see PARA29.

Finance lease

TIOPA10/S494(1)

A finance lease is a lease that, in accordance with generally accepted accounting practice, falls (or would fall) to be treated as a finance lease or loan in the accounts of the company or the financial statements of the group.

For the purposes of the Corporation Tax Acts, FA11/S53 has the effect of preserving the accounting treatment for leases for the purposes of Corporation Tax. As such, the rules would currently follow the accounting treatment ignoring any changes due to the application of IFRS 16 (lease accounting). Following the Autumn Budget 2017, the government consulted on the approach to leases following the introduction of IFRS 16. The effect of that standard on the corporate interest deduction rules will be considered as part of that consultation.

Financial Statements (of a worldwide group)

TIOPA10/S479 CFM95310, CFM95440

The financial statements of a

However, in applying the corporate interest restriction legislation, particularly in defining the worldwide group and identifying its periods of account, the actual financial statements may be deemed to be subject to modification if they are not drawn up under

Fixed ratio debt cap (for a worldwide group)

TIOPA10/S400(1)

The Fixed Ratio Debt Cap for a

Fixed ratio method

TIOPA10/S397 CFM95230

The Fixed Ratio Method is the default method for the calculation of the

Full interest restriction return (for a worldwide group)

TIOPA10/SCH7A/PARA18 CFM98430

A full interest restriction return is required where, a

Group

A reference in this guidance or the actual legislation to a “group” should be taken as a reference to a

Group-EBITDA

TIOPA10

Group-EBITDA is based on an accounting measure of the group’s profit before tax, increased by its

Group-EBITDA (chargeable gains) election

TIOPA10/SCH7A/PARA15/S422 CFM96460 and CFM98460

Groups may make an irrevocable chargeable gains election to make certain prescribed adjustments to the accounting figures, to more closely align them to how amounts of interest and EBITDA would be calculated under UK tax rules. This election has effect only for the

Group-interest

Group-interest, as opposed to tax-interest, is an accounting measure of interest or interest like expense or income and is computed for the

The amounts taken into account are based amounts that are or would be reflected in a worldwide group’s consolidated financial statements and so will normally only reflect the effects of transactions with parties external to the group. Unlike in the case of

Group ratio (blended) election

TIOPA10/SCH7A/PARAS12(3)(b), 14 CFM98460

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Group ratio debt cap (for a worldwide group)

TIOPA10/S400(2) CFM95240

The group ratio debt cap is the sum of the

Group ratio election

TIOPA10/SCH7A/PARAS12(3)(a), 13 CFM98460

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Group ratio method

TIOPA10/S398 CFM95240

The group ratio method is an alternative way of calculating the

Group ratio percentage (for a worldwide group)

TIOPA10/S399 CFM95240

The group ratio percentage is used to calculate the

IAS

CTA10/S1127(5) CFM95470

International Accounting Standards (IAS) are defined by reference to Regulation (EC) 1606/2002 of the European Parliament and the Council of 19 July 2002. These are International Financial Reporting Standards as adopted by the EU. Where the EU has adopted a standard with modifications, use of either the original or the modified standard is treated, for the purposes of corporation tax, as conforming to IAS.

Note that consolidated financial statements drawn up in accordance with certain other accounting standards may be acceptable for computing

IAS Financial Statements

TIOPA10/S488

The IAS financial statements of a

Impairment loss

TIOPA10/S391, S383(3)9(b), S411(1)(c)(ii) CFM95630 CFM95930

An impairment loss is an excluded debit and therefore not taken into account as a

As a result, this will include debit amounts related to:

a reduction in the asset’s value;

a reduction in the asset’s value to zero (asset remains on balance sheet); or

the derecognition of the asset (asset removed from balance sheet).

Interest allowance (of a worldwide group for a period of account)

TIOPA10/S396(1)

The interest allowance of a

In a period with aggregate net tax-interest income the group has no net tax-interest expense to restrict, so the augmentation of basic interest allowance by aggregate net tax-interest income is only relevant to computing interest allowance available to carry forward.

Interest allowance (alternative calculation) election

TIOPA10/SCH7A/PARA12(3)(d), 16 CFM98460

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Interest allowance (consolidated partnerships) election

TIOPA10/S430, SCH7A/PARA12(3)(f), 18 CFM98460 CFM96820

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The effect of the election is that amounts disclosed in the

Interest allowance (non-consolidated investment) election

TIOPA10/SCH7A/PARAS12(e), 17

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Interest capacity (of a worldwide group)

TIOPA10/S392 CFM95220

The interest capacity of a

CFM98240 deals with the rules determining the availability of interest allowance from earlier periods.

Interest reactivation cap (of a worldwide group)

TIOPA10/S373(3), (4)

The interest reactivation cap is the excess, if any, of a

Interest restriction return

TIOPA10/SCH7A/PARA18

Where either the group or HMRC has appointed a

Interest restriction return enquiry

TIOPA10/SCH7A/PARAS40-55 CFM98720

The corporate interest restriction provisions contain their own bespoke enquiry regime, with some similarities to the provisions for enquiries into a company tax return. An enquiry can be opened into an

The group’s

International accounting standards

See under

Member (of a worldwide group)

TIOPA10/S473(4)(a) CFM95350

An (accounting) entity is a member of a

Note that for the purposes of considering whether an entity is a consolidated subsidiary, it is to be assumed that all entities are subject to IAS, regardless of any

Multi-company worldwide group

TIOPA10/S473(4)(d) CFM95330

A multi-company worldwide group is a

Net group-interest expense of a worldwide group

TIOPA10/S410 CFM95920

Net group-interest expense (NGIE) is an accounting measure of a

NGIE is the starting point in the calculation of

Net tax-interest expense (of a company)

TIOPA10/S389 CFM95605

The net tax interest expense of a company for a

Net tax-interest income (of a company)

TIOPA10/S389 CFM95605

The definition of the net tax-interest income of a company for a

Non-consenting company

TIOPA10/SCH7A/PARA10/S375(3) CFM98570 CFM98650

A non-consenting company is a member of a

A reporting company is not entitled to allocate more than a

Furthermore, a non-consenting company may

Non-consolidated associate

TIOPA10/S429 CFM96770

Relevant, in particular, to the

it is a joint venture or associate that is accounted for in the

it is a partnership in relation to which the worldwide group’s

it is a

For the purposes of this definition, “associate”, “equity method”, “gross equity method” and “joint venture” all take their accountancy meaning.

Non-consolidated investment provisions

TIOPA10/S427 CFM96760

The non-consolidated investment provisions are special rules where the

The rules apply in computing both

Non-consolidated subsidiary of an entity

TIOPA10/S475 CFM95350

A non-consolidated subsidiary of another entity is a company that is its subsidiary for accounting purposes, but is treated as an investment measured at fair value (and not consolidated on a line-by-line basis). A non-consolidated subsidiary will not be a member of the

Period of account (of a worldwide group)

TIOPA10/S480-S485 CFM95400

The period of account of a

There are specific provisions for more complicated cases such as where statements are not drawn up or the statements prepared are not acceptable, for instance where there is an

Pro-rata share (company, of total disallowed amount)

TIOPA10/SCH7A/PARAS23, 24 CFM98590

Pro-rata shares are relevant in limiting the interest restriction the

The pro-rata share is a share of a worldwide group’s

A further rule works out the pro-rata shares for a company’s

Public infrastructure asset

TIOPA10/S436(2) CFM97110

The concept of a public infrastructure asset is fundamental to the public infrastructure provisions (TIOPA10/PT10/CH8) and underlies the definitions of

An asset is (or is not) a public infrastructure asset in respect of each company according to conditions relative to that company.

The two classes of public infrastructure asset are:

tangible assets forming part of the infrastructure of the UK (or the UK sector of the continental shelf) which meet a public benefit test; and

buildings (or parts of buildings) that are part of a UK property business and are let or sub-let on a short-term basis to unrelated parties.

In either case, the asset must have an expected economic life of at least 10 years and be reflected in the balance sheet of a

Public infrastructure assets test

TIOPA10/S433(5) CFM97210

To be a

tangible assets related to

financial assets to which a company is party for the purposes of qualifying infrastructure activities that it or another

shares in a qualifying infrastructure company; or

loan relationships etc. to which the only other party is a qualifying infrastructure company.

Public infrastructure income test

TIOPA10/S433(2) CFM97200

To be a

shares in a qualifying infrastructure company; or

loan relationships etc. to which the only other party is a qualifying infrastructure company.

 Public infrastructure provisions

TIOPA10/PT10/CH8 (S432-S449) CFM97100

The public infrastructure provisions define a

Qualifying infrastructure activity

TIOPA10/S436(1) CFM97120

For a company to be a

the provision of a

the carrying on of any other activity that is ancillary to, or facilitates, the provision of a public infrastructure asset.

The definition of public infrastructure asset imposes the requirement that the infrastructure in question is recognised on the balance sheet of a

Qualifying infrastructure company

TIOPA10/S433 CFM97110

To be a qualifying infrastructure company

the company must be fully taxed in the UK;

all, or all but an insignificant proportion, of its income and assets are referable to activities in relation to public infrastructure assets; and

it must have elected into the provisions of Chapter 8 of the Corporate Interest Restriction rules.

Qualifying infrastructure company elections

TIOPA10/S433(1)(d), S434, S435, S444-S446 CFM97240, CFM97260, CFM96910

The

Qualifying infrastructure company election. To be treated as a qualifying infrastructure company, a company must have made a valid election to this effect within the time limit. See CFM97240. Time limits are relaxed on commencement of the CIR regime (CFM97250). An election has effect for subsequent periods. It can be revoked, but the revocation cannot take effect before 5 years have elapsed. A further 5 years must elapse before a fresh election can take effect. Special rules apply to transfers of business within a group.

The effect of such an election can be modified by a group infrastructure election (CFM97260) made jointly by two or more members of a worldwide group.

There are special rules applying to joint venture companies, which can be extended by a joint venture election to certain groups headed by joint venture companies. See CFM96920.

Qualifying net group-interest expense (of a worldwide group) - QNGIE

TIOPA10/S414 CFM95900

The qualifying net group-interest expense (QNGIE), of a

Reactivation

This is the process by which previously

Related party

TIOPA10/S462 - S472 CFM96200

The corporate interest restriction provisions contain extensive provisions defining a related party for the purposes of the provisions, or parts thereof, and the consequence of related party status. In essence, a person is a related party of another person where

they are part of the same consolidated group;

there is common participation in the management, control or capital of the parties; or

the 25% investment condition is met in relation to them.

A 25% investment refers to an investment in equity, which entitles the holder to acquire 25% or more of

the voting power,

the disposal proceeds,

income distributions or

the assets in the event of a winding-up.

Related party investor

TIOPA10/S404

The concept of a related party investor is particularly relevant to the

 Relevant accounting period (of a company)

TIOPA10/S490, CFM98635

An accounting period of a company that falls wholly or partly within the

Relevant company

This is term is used in the corporate interest restriction provisions but has no generally applicable definition. Instead, it is defined in the particular provision in which it is used. See also

Relevant derivative contracts credit, or debit

TIOPA10/S384, S387 CT09/PT7 CFM95650

These are derivative contracts debits and credits that are taken into account in computing

Relevant entity

TIOPA10/S474 CFM95340

An (accounting) entity can only be the

Relevant loan relationships credit, or debit

TIOPA10/S383, S386 CT09/PT5 CFM95630

These are loan relationship debits and credits that are taken into account in computing

Reporting company (for a worldwide group)

TIOPA10/SCH7A/PARAS1-5 CFM98470

A reporting company is a UK group company appointed on behalf of the

Revised interest restriction return

TIOPA10/SCH7A/PARA8 CFM98530

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Service concession agreement

TIOPA10/S494

A service concession arrangement is mainly relevant to the

Single-company worldwide group

TIOPA10/S473(4)(c) CFM95330

A single-company

Statement of allocated interest reactivations

TIOPA10/SCH7A/PARA25 CFM98610

This is a statement forming part of a

Statement of allocated interest restrictions

TIOPA10/SCH7A/PARA22 CFM98580

This statement must be included in a

Statement of Calculations

TIOPA10/SCH7A/PARA21 CFM98450

The statement of calculations, which must be included in a

Subject to interest reactivations (worldwide group)

TIOPA10/S373(5)

A

Subject to interest restriction (worldwide group)

TIOPA10/S373(1)

A

Tax-EBITDA (of a company)

TIOPA10/S406-S409 CFM95700

The tax-EBITDA of a company (which may be a negative amount) is its profits or losses for corporation tax purposes, after excluding:

capital allowances and charges;

certain debits and credits under the intangible fixed assets code;

losses brought forward or back from a different accounting period, and group relief to the extent it derives from a fellow worldwide group member; and

certain specified reliefs, including R&D reliefs, and charitable donations relief.

Tax-EBITDA is further adjusted for certain amounts relating to long funding operating leases and short finance leases, in order to align the tax-EBITDA calculation with that of tax-interest amounts.

Tax-interest

TIOPA10/S382-S391 CFM95600

Tax-interest is income or expense falling within the definition of a

Tax-interest is measured by UK tax-rules and is an amount that is taken in to account in computing amounts chargeable to corporation tax.

Tax-interest expense amounts (of a company)

TIOPA10/S382 CFM95600

Tax-interest expense amounts for a company are sums brought into account for the purposes of corporation tax in the relevant accounting period in respect of interest expense or matters of a similar economic nature, as defined in the legislation. In particular, they can include a relevant loan relationship debit, or a relevant derivative contract debit, or another financing cost implicit in amounts payable under a relevant arrangement (for example, finance leases, debt factoring and service concession arrangements).

Tax-interest income amounts (of a company)

TIOPA10/S385 CFM95600

Tax-interest income amounts of a company are sums brought into account for the purposes of corporation tax in the relevant accounting period in respect of interest income or matters of a similar economic nature, as defined in the legislation. In particular, they can include a relevant loan relationship credit, or a relevant derivative contract credit, or a financing cost implicit in amounts receivable under a relevant arrangement (for example, finance leases, debt factoring, service concession arrangements).

Total disallowed amount (for a worldwide group)

TIOPA10/S373(2) CFM95220

This is the overall restriction to a

UK group company

TIOPA10/S492

At any point in time, a UK group company is a member of the

Ultimate parent (of the worldwide group)

TIOPA10/S473(4)(b) CFM95335

An ultimate parent is a member of an IAS group, which is a

Note that for the purposes of considering whether an entity is consolidated subsidiary, it is to be assumed that all entities are subject to IAS, regardless of any

Unexpired (interest allowance of a worldwide group)

TIOPA10/S395 CFM98240

Used (interest allowance of a worldwide group)

TIOPA10/S394 CFM98240

The legislation defines when

Worldwide group

TIOPA10/S473 CFM95320

A worldwide group takes its meaning from

the controlling entity is a member of an IAS group but not a consolidated subsidiary of a relevant entity which itself meets the first condition

the controlling entity is not a member of an IAS group.

Note also that to be the ultimate parent or a

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