HMRC - CFM95610 - x-Interest: Tax-Interest Expense And Income Amounts

TIOPA10/S382 and TIOPA10/S385

The tax-interest expense and income amounts are the amounts brought into account for tax which comprise amounts of interest or amounts economically equivalent to interest. These amounts are aggregated to derive the net tax-interest expense or net tax-interest income of a company for a group’s period of account.

Tax-interest expense amounts

The main definition is at s382 and includes:

Relevant loan relationship debits,

Relevant derivative contract debits, and

Implicit financing costs in amounts payable under a relevant arrangement or transaction.

Tax-interest income amounts

The main definition is at s385 and includes:

Relevant loan relationship credits,

Relevant derivative contract credits,

Implicit financing income in amounts receivable under a relevant arrangement or transaction, and

Consideration received for the provision of a guarantee.

Specific rules

Where a company claims double tax relief in respect of a tax-interest income amount, the amount of income is reduced by the notional amount of income that is effectively sheltered from UK tax.

The following specific items are excluded from being tax-interest expense amounts:

Interest distributions made by co-operative and community benefit societies

Certain payments made to charities

Interest distributions made by certain collective investment vehicles

In addition, there are particular rules that apply for securitisation companies within the permanent regime to ensure the CIR rules operate as intended for this vehicles. The residual profit is treated as being tax-interest income amount, with an adjustment where a management fee is made to another group company.

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