HMRC - CFM98310 - Rules: Introduction

F(No.2)A17/Sch10/Part 4

The Corporate Interest Restriction rules come into effect on 1 April 2017. They therefore apply for all periods of account of a worldwide group starting on or after that date. For groups that have a straddling period of account, this period is treated as split into two notional periods of account.

The Worldwide Debt Cap rules are repealed with effect from 1 April 2017. The rules governing the repeal mirror the commencement rules in relation to straddling periods.

In addition, the following rules apply on transition to the new corporate interest restriction regime:

There are a number of extended time limits that apply for the first year of the rules.

Certain amounts in respect of previous accounting and tax changes are excluded from the regime.

Certain adjustments are made to the group’s financial statements in two situations to address group mismatches.

Groups may make an election to be treated, for the purposes of these rules, as if they had elected into regulations 7, 8 and 9 of the Disregard Regulations.

Existing guarantees as at 1 April 2017 are grandfathered such that they do not themselves cause debt to be related party debt. Likewise, any finance lease in existence as at 1 April 2017 is not considered to be a related party debt.

Transitional infrastructure rules which can apply to accounting periods beginning before 1 April 2018 give the business time to restructure if necessary to qualify for the main infrastructure rules. In addition, there is limited grandfathering of loans funding assets that have a highly predictable income based on qualifying public contracts.

Specific provisions limit the effect of the regime anti avoidance rule for certain restructurings in connection with commencement.

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