HMRC - CTM61630 - Loans To Participators And Arrangements Conferring Benefit On Participators: B&B: 30 Day Rule

CTA10/S464C(1)

This provision is a mechanical rule which applies where, within any 30 day period, there are:

repayments totalling £5,000 or more Whether made before or after the end of the accounting period-AP1), and

new loans (chargeable payments) totalling £5,000 or more which are made after the end of that (AP1) accounting period

In this situation the repayments will be treated as repaying those new loans (rather than any earlier loans) to the extent that the repayment does not exceed the new loan. Where the amount repaid exceeds the amount of the new loans then any balance can be considered for relief under CTA10/S458 in the usual way. See the flowchart at CTM61645.

Whilst the original loan and the repayment can be in either the same or different accounting periods, the legislation requires the new loan to be in a subsequent AP to that of the original loan (CTA10/S464C (1) (b)), as will be the case in any bed and breakfasting scenario.

In any 30 day period starting 30 days before the end of AP1 date and ending 9 months and 30 days after the end of AP1, you need to look at all loans/advances (chargeable payments) and all repayments. Starting with the earliest 30 day period you should match repayments to chargeable payments in accordance with CTA10/S464C (1).

Example 1

AP1 loan outstanding £6,000

2 days before end of AP1, repayment of £6,000

On the third day of AP2 there is a new loan of £6,000

The legislation will match the repayment against the new loan. Any loan outstanding in AP1 will remain outstanding and £6,000 will therefore be chargeable under CTA10/S455 for AP1.

Example 2

As above but the repayment is £10,000

The legislation will match £6,000 of this repayment against the new loan (chargeable payment). The balance of the repayment (£4,000) will be available to ‘repay’ part of the AP1 loan, leaving only £2,000 outstanding and chargeable under CTA10/S455 in AP1.

In any AP the operation of the section may need to be considered several times, both for the 30 day rule and the arrangements rule, where there are repeated repayments and further advances. See CTM61640 and the flowchart at CTM61645 for details of how to ensure there is neither double counting nor double relieving.

You will need to consider whether CTA10/S464C(6) applies to exclude the operation of the restriction of relief (CTM61642)

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