HMRC - CTM61690 - Close Companies: Loans To Participators: By Controlled Companies

ICTA88/S422 (6)

Section 422 brings certain loans not otherwise caught within ICTA88/S419 and ITTOIA05/S415+.

The loans affected are loans made under arrangements in which:

a loan is made by a third party to a close company participator or associate of a participator,

and

the close company effectively finances the making of the loan.

Such arrangements normally involve the close company having or acquiring control of the lender. As such, the application of ICTA88/S422 is limited to loans made to participators in a close company (or their associates) by a company that is, or comes to be, under the control of the close company.

You should construe ICTA88/S422 as one with ICTA88/S419. Any reference in Section 422 to a ‘loan’ includes an advance. Similarly, any reference to a company making a loan includes cases in which a company is, or if it were a close company would be, regarded as making a loan by virtue of ICTA88/S419 (2).

The powers of information in FA89/SCH12 Part 1 (CTM61505) apply to ICTA88/S422 just as they do to ICTA88/S419.