HMRC - CTM80080 - Election To Pay Charges Or Loan Relationship Interest Without Accounting For IT

ICTA88/S247 was repealed by FA01 in relation to payments made after 11 May2001. This page relates to periods before that date.

Under ICTA88/S247 (4), where charges on income or interest giving rise to a debt under the loan relationships legislation (FA96) are to be paid:

by a subsidiary company to its parent company or to another subsidiary, or

by a parent company to its subsidiary,

the recipient company and the payer company may make a joint election for payment in full without the payer company having to account for IT.

There is guidance on the conditions for elections at CTM80085,and, for consortia at CTM80910.

The effect of an election under Section 247 (4) is to take the relevant payments outside the machinery within ICTA88/S349 for deducting and accounting for IT on such payments.While the election is in force the payer company must make payment in full. There is no effect on the CT treatment of the payments.

So they continue to:

be allowable deductions as charges on income against the profits of the payer company, or to result in a debit under the loan relationship legislation

and

to be included in the chargeable profits of the recipient company.

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