

EXPLANATORY NOTE

CLAUSE 48 SCHEDULE 24: DISGUISED INTEREST

AMENDMENT 159

SUMMARY

1. The amendment corrects a typographical error in Schedule 24 to the Finance Bill to ensure that the Schedule can apply to arrangements which were within the scope of legislation that the Schedule replaces.

DETAILS OF THE AMENDMENTS

2. Amendment 159 amends paragraph 13(3) of draft Schedule 24 to the Finance Bill. The amendment replaces the reference in that subparagraph to paragraph 14 with a reference to paragraph 15.

BACKGROUND NOTE

3. The new legislation on disguised interest sets out a comprehensive principle that a return equivalent to interest is to be charged to corporation tax as income whenever it would not otherwise be taxed as income. The legislation allows the repeal of a number of piecemeal enactments (referred to below as “repealed provisions”) that previously tackled avoidance under which interest-like returns were derived in a form that would have been taxed more favourably than interest.
4. The default commencement rule for the new legislation is that it applies to arrangements to which a company becomes party on or after Budget day, 22 April 2009 (these are referred to in what follows as “new arrangements”). There are then transitional rules to ensure that other arrangements (“old arrangements”) to which any of the repealed provisions applied immediately before 22 April are treated as new arrangements for the purpose of the legislation with the result that the interest-like returns arising after Budget day start to be taxed under the new rules.
5. For the most part, these transitional rules work properly. However, paragraph 13(3) disapplies the default rule deeming old arrangements to be new arrangements in one particular case because of an incorrect cross-reference to another paragraph in the legislation.
6. The error is a simple typographical error. The version of the legislation on which pre-Budget consultation was based did not include the error, and the amendment simply restores the tax treatment to that in the consultation document. .

RESOLUTION 24

**FINANCE BILL 2009
CLAUSE 32
SCHEDULE 13**

Mr Stephen Timms

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Schedule 24, page 243, line 9, leave out '14' and insert '15'.