STATUTORY INSTRUMENTS

2017 No. 1224

CORPORATION TAX

The Corporate Interest Restriction (Financial Statements: Group Mismatches) Regulations 2017

Made - - - -	*7th December 2017*
Laid before the House of Commons - - - -	*8th December 2017*
Coming into force - -	*29th December 2017*

The Commissioners for Her Majesty's Revenue and Customs, in exercise of the powers conferred by section 495 of the Taxation (International and Other Provisions) Act 2010(**1**), make the following Regulations:

Citation, commencement, effect and interpretation

1.—(1) These Regulations may be cited as the Corporate Interest Restriction (Financial Statements: Group Mismatches) Regulations 2017 and come into force on 29th December 2017.

(2) The Regulations have effect for periods of account(**2**) of a worldwide group(**3**) that begin on or after 1 April 2017.

(3) For the purposes of these Regulations, "the specified amounts" means—

(a) the net group-interest expense(**4**),

(b) the adjusted net group-interest expense(**5**),

(c) the qualifying net group-interest expense(**6**), and

(**1**) 2010 c. 8; section 495 was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017 (c. 32). The power to make regulations is conferred on "the Commissioners" which is defined in section 494 as meaning the Commissioners for Her Majesty's Revenue and Customs.

(**2**) "Period of account" of a worldwide group is defined in section 480 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(**3**) "A worldwide group" is defined in section 473 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(**4**) "Net group-interest expense" is defined in section 410 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(**5**) "Adjusted net group-interest expense" is defined in section 413 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(**6**) "Qualifying net group-interest expense" is defined in section 414 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(d) the group-EBITDA(**7**).

Loan relationship accounted for at fair value

2.—(1) This regulation applies where on 1 April 2017 a company is a party to a loan relationship which is dealt with—

(a) in the company's accounts on an amortised cost basis of accounting, and

(b) in the financial statements(**8**) of the worldwide group of which the company is a member—

(i) on the basis of fair value accounting(**9**), or

(ii) as a hedged item in a designated fair value hedge where the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk.

(2) For the purpose of calculating the specified amounts, the financial statements of the worldwide group are treated, in relation to the loan relationship, as having been drawn up on an amortised cost basis of accounting.

(3) In this regulation, "amortised cost basis of accounting", in relation to a company's loan relationship, means a basis of accounting under which an asset or liability representing the loan relationship is measured in the company's balance sheet at its amortised cost using the effective interest method.

(4) In paragraph (3), "effective interest method" has the meaning given by international accounting standards.

Debt buy-back

3.—(1) This regulation applies where—

(a) on 1 April 2017 a loan relationship exists between two companies which are members of the same worldwide group,

(b) the loan was previously recognised in the financial statements of the worldwide group,

(c) the loan was derecognised in the financial statements of the worldwide group when—

(i) a company in the worldwide group became party as creditor to the loan relationship, or

(ii) the company which is party to the loan relationship as creditor became a member of the worldwide group, and

neither section 361 or 362 of the Corporation Tax Act 2009(**10**) applied on the occasion of either of those events, and

(d) a gain or loss was recognised in the financial statements of the worldwide group in respect of the derecognition.

(2) For the purpose of calculating the specified amounts, an amount equal to the gain or loss recognised in the financial statements of the worldwide group in respect of the derecognition is treated as brought into account on a just and reasonable basis over the remainder of the term of the loan.

(**7**) "The group-EBITDA" is defined in section 416 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(**8**) "Financial statements" of a worldwide group is defined in section 479 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(**9**) "Fair value accounting" is defined in section 494 of the Taxation (International and Other Provisions) Act 2010, which was inserted by paragraph 1 of Schedule 5 to the Finance (No. 2) Act 2017.

(**10**) 2009 c. 4; section 361 was amended by paragraph 35 of Schedule 7 to the Finance (No. 2) Act 2015 (c. 33), section 362 was amended by section 23 of the Finance Act 2012 (c. 14) and paragraph 38 of Schedule 7 to the Finance (No. 2) Act 2015.