

## Explanatory Note

# Clause 31 and Schedule 7: Loan Relationships and Derivative Contracts

## Summary

1. These amendments to Schedule 7 ensure that exemptions introduced by paragraphs 16 to 18 of the Schedule to facilitate the restructuring of debts of companies in financial distress will be available in respect of transactions on or after 1 January 2015, rather than the date of Royal Assent to the Finance Bill 2015.

## Details of the amendments

2. Amendment 8 removes the reference in paragraph 107 to paragraph 33(2) so that it applies only to paragraphs 16 to 18. Paragraphs 16 to 18 provide new reliefs where a company's debt is released, modified or replaced in circumstances where it is at material risk of not being able to pay its debts within 12 months.
3. Amendment 9 substitutes 1 January 2015 for the date of Royal Assent as the date from which paragraphs 16 to 18 have effect.
4. Amendment 10 inserts new paragraph 107A, which ensures that the date from which paragraph 33(2) has effect remains unchanged. It will apply to debt releases on or after the date of Royal Assent.

## Background note

5. Clause 31 and Schedule 7 implement a package of changes to modernise the rules in the Corporation Tax Act 2009 governing the taxation of corporate debt ("loan relationships") and derivative contracts. As part of these changes, paragraphs 16 to 18 of Schedule 7 provide for new "corporate rescue" reliefs, which will make it easier for companies in financial distress to restructure their borrowings. They will prevent a tax charge which would otherwise arise when a creditor releases a debt or modifies its terms.
6. The bill as introduced provides for these reliefs to be available from the date of Royal Assent. These amendments will avoid insolvencies in cases where companies may have entered into transactions on the assumption that retrospective relief would be available under these provisions from 1 January 2015, as was envisaged in draft legislation published in December

2014.