

Clause 1: Relief from CGT for loans to traders

Summary

1. This clause extends the existing Capital Gains Tax (CGT) relief for loans to traders, so that from 24 January 2019 relief will also apply to loans made to trading businesses resident outside the United Kingdom and which subsequently become irrecoverable.

Details of the clause

2. This clause amends subsection 253(1)(b) of the Taxation of Chargeable Gains Act 1992. The effect is that from 24 January 2019 qualifying loans also include loans made to borrowers who are not resident in the United Kingdom.

Background note

3. Relief for loans to traders is a CGT relief. It gives relief where a loan is made to a UK company, sole trader or partnership for the purposes of an ongoing trade, profession or vocation, or the setting up of trade, and the loan subsequently becomes irrecoverable.
4. To qualify for relief the loan must be to a borrower:
 - Who is resident in the UK;
 - That uses the money wholly for the purposes of a trade, profession or vocation; or
 - To set up a trade as long as they start trading.
5. Relief is only due if there is no reasonable prospect of the loan ever being repaid.
6. Extending the relief to borrowers outside the UK ensures that the relief complies with Article 63 of the Treaty on the Functioning of the European Union and the Freedom of Movement of capital rules.
7. If you have any questions about this change, or comments on the legislation, please contact Nick Williams on 03000 585660 (email: Nicholas.williams@hmrc.gov.uk).