

## Relief for loans to traders

**(Lecture P1157 – 3.08 minutes)**

S253 TCGA 1992 offers a useful relief in respect of loans to traders. It applies where a loan is made to a company, sole trader or partnership for the purposes of an ongoing trade or the setting up of a trade, but the loan subsequently becomes irrecoverable. The word 'trade' in this context includes a profession or vocation.

Hitherto, in order to qualify for relief, the loan had to be to a borrower who:

- is resident in the UK; and
- uses the money wholly for trading purposes (or to set up a trade provided that trading actually starts).

Relief is only available if there is no reasonable prospect of the loan ever being repaid and, where claimed, it allows the lender to write the loss off against his chargeable gains. The rules cover both individual and corporate lenders, but the claimant and the borrower must not be spouses, civil partners or members of the same 75% group.

Legislation is being introduced to extend this relief, with effect from 24 January 2019, to borrowers who are resident outside the UK.

*Contributed by Robert Jamieson*