Draft Regulations laid before the House of Commons under section 1310(4) of the Corporation Tax Act 2009, for approval by resolution of that House.

DRAFT STATUTORY INSTRUMENTS

2014 No.

CORPORATION TAX

The Changes in Accounting Standards (Loan Relationships and Derivative Contracts) Regulations 2014

Made - - - - ***

Coming into force - - *31st December 2014*

The Treasury make the following Regulations in exercise of the powers conferred by section 465A of the Corporation Tax Act 2009(**1**).

A draft of this instrument was laid before and approved by a resolution of the House of Commons in accordance with section 1310(4) of the Corporation Tax Act 2009(**2**).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Changes in Accounting Standards (Loan Relationships and Derivative Contracts) Regulations 2014 and come into force on 31st December 2014.

(2) If in consequence of a relevant change in accounting policy a company adopts a relevant accounting change for a period of account beginning on or after 1st October 2012, these Regulations have effect in relation to the accounting period which coincides with that period and subsequent accounting periods.

(3) For the purposes of paragraph (2), a relevant change in accounting policy has the same meaning as in regulation 12A(2) of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004(**3**) inserted by regulation 3(2) of these Regulations.

(**1**) 2009 c. 4; sections 465A was inserted by paragraph 1 of Schedule 19 to the Finance Act 2010 (c. 13).
(**2**) Section 1310(4) was amended by paragraph 3 of Schedule 19 to the Finance Act 2010.
(**3**) S.I. 2004/3256, to which there are amendments not relevant to these Regulations.

Amendment of the Exchange Gains and Losses (Bringing into Account Gains or Losses) Regulations 2002

2.—(1) The Exchange Gains and Losses (Bringing into Account Gains or Losses) Regulations 2002(**4**) are amended as follows.

(2) In regulation 13 (cases where matched assets represent loan relationships)—

(a) in paragraph (1), for "and (2A)" substitute ", (2A) and (2B)",

(b) after paragraph (2A) insert—

"(2B) The circumstances prescribed by this paragraph are where there is a disposal of an asset representing a loan relationship in relation to which amounts have fallen within regulation 12A of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004.",

(c) in paragraph (4), after "(2A)" insert "and amounts within paragraph (2B)".

Amendment of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004

3.—(1) The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004 are amended as follows.

(2) After regulation 12 insert—

"**Loan relationships as permanent as equity**

12A.—(1) The amounts described in paragraph (3) are not brought into account for the purposes of Part 5 of the Corporation Tax Act 2009 in relation an asset representing a loan relationship of a company which is denominated in a currency which is not, or was not, the company's functional currency, if there is a relevant change of accounting policy.

(2) A relevant change of accounting policy is a change of accounting policy in drawing up a company's accounts from one period of account to the next where in accordance with generally accepted accounting practice—

(a) in the earlier period the loan relationship is treated (in accordance with SSAP 20) as permanent as equity and either—

(i) the loan relationship was brought into account at an historic rate, or

(ii) debits and credits in relation to the loan relationship were not brought into account by virtue of section 328(3) of the Corporation Tax Act 2009, and

(b) in the later period the loan relationship was brought into account at a spot rate of exchange.

(3) The amounts are—

(a) debits and credits representing the difference between the carrying value of the loan relationship recognised for accounting purposes at the end of the earlier period and the value recognised at the beginning of the later period to the extent the debits or credits are attributable to the different rates of exchange, and

(b) debits and credits representing exchange gains and losses arising in the later period and subsequent accounting periods in relation to the loan relationship.

(4) But an amount is not within paragraph (3)(b) to the extent that in any period —

(**4**) S.I. 2002/1970, amended by S.I. 2004/3259; there are other amending instruments but none is relevant.