



Finance Act 1993

1993 CHAPTER 34

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

EXCHANGE GAINS AND LOSSES

Exchange rate to be used

150 Exchange rate at translation times

- (1) This section has effect to determine the exchange rate to be used in finding for the purposes of this Chapter the local currency equivalent at a translation time of—
 - (a) the basic valuation of an asset or liability,
 - (b) the nominal amount of a debt outstanding, or
 - (c) an amount of currency.
- (2) References in this section to the two currencies are to—
 - (a) the local currency and the nominal currency of the asset or liability concerned (where this section applies by virtue of subsection (1)(a) or (1)(b) above), or
 - (b) the local currency and the currency mentioned in subsection (1)(c) above (where this section applies by virtue of subsection (1)(c) above).
- (3) References in this section to an arm's length rate are to such exchange rate for the two currencies as might reasonably be expected to be agreed between persons dealing at arm's length.
- (4) Subsections (5) to (7) below apply where the translation time is a translation time solely by virtue of an accounting period of the company coming to an end.
- (5) In a case where—

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- (a) an exchange rate for the two currencies is used (as regards the asset, liability or currency contract concerned) in the accounts of the company for the last day of the accounting period, and
 - (b) the rate is an arm's length rate,that is the exchange rate to be used as regards the asset, liability or contract.
- (6) In a case where—
 - (a) the provision for whose purposes the local currency equivalent falls to be found is section 126 above,
 - (b) an exchange rate for the two currencies is not used (as regards the currency contract concerned) in the accounts of the company for the last day of the accounting period,
 - (c) the fact that such an exchange rate is not so used conforms with normal accountancy practice, and
 - (d) the exchange rate for the two currencies that is implied by the currency contract concerned is an arm's length rate,the exchange rate mentioned in paragraph (d) above is the exchange rate to be used as regards the contract.
- (7) In a case where neither subsection (5) nor subsection (6) above applies, the London closing exchange rate for the two currencies for the last day of the accounting period is the exchange rate to be used.
- (8) Subsections (9) to (14) below apply where the translation time is a translation time otherwise than solely by virtue of an accounting period of the company coming to an end.
- (9) In a case where—
 - (a) an exchange rate for the two currencies is used (as regards the asset, liability or currency contract concerned) in the accounts of the company at the translation time,
 - (b) the rate represents the average of arm's length rates for all the days falling within a period, and
 - (c) the arm's length rate for any given day (other than the first) falling within the period is not significantly different from the arm's length rate for the day preceding the given day,that is the exchange rate to be used as regards the asset, liability or contract.
- (10) In a case where—
 - (a) subsection (9) above does not apply,
 - (b) an exchange rate for the two currencies is used (as regards the asset, liability or currency contract concerned) in the accounts of the company at the translation time, and
 - (c) the rate is an arm's length rate,that is the exchange rate to be used as regards the asset, liability or contract.
- (11) In a case where—
 - (a) the provision for whose purposes the local currency equivalent falls to be found is section 126 above,
 - (b) an exchange rate for the two currencies is not used (as regards the currency contract concerned) in the accounts of the company at the translation time,

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- (c) the fact that such an exchange rate is not so used conforms with normal accountancy practice, and
- (d) the exchange rate for the two currencies that is implied by the currency contract concerned is an arm's length rate,

the exchange rate mentioned in paragraph (d) above is the exchange rate to be used as regards the contract.

(12) In a case where—

- (a) none of subsections (9) to (11) above applies,
- (b) it is the company's normal practice, when using an exchange rate in its accounts, to use a rate which represents an average of exchange rates obtaining for a period, and
- (c) the London closing exchange rate for the two currencies for any given day (other than the first) falling within the relevant period is not significantly different from the London closing exchange rate for the two currencies for the day preceding the given day,

the rate which represents the average of the London closing exchange rates for the currencies for all the days falling within the relevant period is the exchange rate to be used.

(13) In a case where none of subsections (9) to (12) above applies, the London closing exchange rate for the day in which the translation time falls is the exchange rate to be used.

(14) References in subsection (12) above to the relevant period are to the period which—

- (a) begins when the relevant accounting period begins, and
- (b) ends at the end of the day in which the translation time falls;

and the relevant accounting period is the accounting period in which the translation time falls.

151 Exchange rate for debts whose amounts vary

- (1) Subsection (2) below has effect to determine the exchange rate to be used in finding for the purposes of this Chapter the local currency equivalent, at a time immediately after the nominal amount of a debt outstanding increases or decreases, of any amount.
- (2) Subsections (9) to (14) of section 150 above (ignoring subsection (11)) shall apply for that purpose, but in so applying them—
 - (a) references to the translation time shall be construed as references to the time mentioned in subsection (1) above;
 - (b) references to the two currencies shall be construed as references to the local currency and the settlement currency of the debt.