

## SCHEDULES

### SCHEDULE 18

#### EXCHANGE GAINS AND LOSSES: AMENDMENTS

##### *Income and Corporation Taxes Act 1988 (c. 1)*

2 In section 56 of the Taxes Act 1988 (transactions in deposits or debts) the following subsections shall be inserted after subsection (3)—

“(3A) Subsection (3B) below applies where—

- (a) profits or gains arise from the disposal of a right to which subsection (2) above applies and fall to be charged to tax under Case VI of Schedule D by virtue of that subsection, and
- (b) the profits or gains arise to a qualifying company.

(3B) For the purposes of the charge under Case VI the profits or gains—

- (a) shall be increased by the amount of any non-trading exchange loss, or the aggregate of the amounts of any non-trading exchange losses, accruing to the company as regards the right for any accrual period or periods constituting or falling within the holding period;
- (b) shall (after taking account of paragraph (a) above) be reduced by the amount of any non-trading exchange gain, or the aggregate of the amounts of any non-trading exchange gains, accruing to the company as regards the right for any accrual period or periods constituting or falling within the holding period.

(3C) For the purposes of subsections (3A) and (3B) above—

- (a) “accrual period” and “qualifying company” have the same meanings as in Chapter II of Part II of the Finance Act 1993;
- (b) the question whether a non-trading exchange gain or loss accrues to the company as regards the right for an accrual period shall be decided in accordance with that Chapter.

(3D) For the purposes of subsection (3B) above the holding period is the period which—

- (a) begins when the company acquired (or last acquired) the right before the disposal, and
- (b) ends when the disposal is made.”

3 (1) Section 242 of the Taxes Act 1988 (set-off of losses etc. against surplus of franked investment income) shall be amended as mentioned in sub-paragraphs (2) and (3) below.

(2) In subsection (2) after paragraph (e) there shall be inserted—

- “(f) the setting of amounts against profits under section 131(4) of the Finance Act 1993.”

---

*Status: This is the original version (as it was originally enacted).*

---

- (3) In subsection (8) after paragraph (d) there shall be inserted—
- “(e) if and so far as the purpose for which the claim is made is the setting of an amount against profits under subsection (4) of section 131 of the Finance Act 1993, the time limit that would, by virtue of subsection (14) of that section, be applicable in the case of a claim under subsection (4) of that section.”
- 4 In section 407 of the Taxes Act 1988 (relationship between group relief and other relief) in subsection (2) at the end of paragraph (b) there shall be inserted “and”, and after that paragraph there shall be inserted—
- “(c) relief under section 131(7) of the Finance Act 1993 in respect of the whole or part of a relievable amount for an accounting period after the accounting period the profits of which are being computed;
- and the reference in paragraph (c) above to a relievable amount shall be construed in accordance with section 131 of the Finance Act 1993.”
- 5 In section 826 of the Taxes Act 1988 (interest on tax overpaid) the following subsection shall be inserted after subsection (7B)—
- “(7C) In a case where—
- (a) there is for an accounting period of a company (“the later period”) a relievable amount within the meaning of section 131 of the Finance Act 1993 (non-trading exchange gains and losses),
- (b) as a result of a claim under subsection (5) or (6) of that section the whole or part of the relievable amount for the later period is set off against the exchange profits (as defined in subsection (10) of that section) of an earlier accounting period (“the earlier period”), and
- (c) a repayment falls to be made of corporation tax for the earlier period, then, in determining the amount of interest (if any) payable under this section on the repayment of corporation tax for the earlier period, no account shall be taken of any increase in the amount of the repayment resulting from the claim under subsection (5) or (6) (as the case may be) of that section except so far as concerns interest for any time after the date on which any corporation tax for the later period became (or, as the case may be, would have become) due and payable, as mentioned in subsection (2) above.”
- 6 In Schedule 27 to the Taxes Act 1988 (distributing funds) in paragraph 5 (United Kingdom equivalent profits) the following sub-paragraph shall be inserted after sub-paragraph (2)—
- “(2A) In applying sub-paragraph (1) above the effect of sections 125 to 133 of the Finance Act 1993 (exchange gains and losses) shall be ignored.”