



# Finance Act 1993

## 1993 CHAPTER 34

### PART II

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER II

#### EXCHANGE GAINS AND LOSSES

##### *Accrual of gains and losses*

#### **126 Accrual on currency contracts**

- (1) This section applies where a qualifying company enters into a contract (a currency contract) under which—
  - (a) it becomes entitled to a right and subject to a duty to receive payment at a specified time of a specified amount of one currency (the first currency), and
  - (b) it becomes entitled to a right and subject to a duty to pay in exchange and at the same time a specified amount of another currency (the second currency).
- (2) Subsection (3) below applies if there is a difference between—
  - (a) the local currency equivalent, at the translation time with which an accrual period as regards the contract begins, of the amount of the first currency, and
  - (b) the local currency equivalent, at the translation time with which the accrual period ends, of the amount of the first currency.
- (3) There is as regards the contract an exchange difference for the accrual period, and—
  - (a) if the difference represents an increase over the period, an initial exchange gain of an amount equal to the difference accrues to the company as regards the contract for the period;

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*Status: This is the original version (as it was originally enacted).*

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- (b) if the difference represents a decrease over the period, an initial exchange loss of an amount equal to the difference accrues to the company as regards the contract for the period.
- (4) Subsection (5) below applies if there is a difference between—
  - (a) the local currency equivalent, at the translation time with which an accrual period as regards the contract begins, of the amount of the second currency, and
  - (b) the local currency equivalent, at the translation time with which the accrual period ends, of the amount of the second currency.
- (5) There is as regards the contract an exchange difference for the accrual period, and—
  - (a) if the difference represents a decrease over the period, an initial exchange gain of an amount equal to the difference accrues to the company as regards the contract for the period;
  - (b) if the difference represents an increase over the period, an initial exchange loss of an amount equal to the difference accrues to the company as regards the contract for the period.