Finance Act 1994

1994 CHAPTER 9

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

Exchange gains and losses

116 Currency contracts: matching

(1) Schedule 15 to the Finance Act 1993 (alternative calculation) shall be amended as follows.

(2) The following shall be inserted after paragraph 4—

"Currency contracts: matching

4A (1) Regulations may provide that where—

(a) as regards a contract an initial exchange gain or initial exchange loss accrues to a company for an accrual period under section 126(5) of this Act or would so accrue apart from regulations under this Schedule,

(b) the relevant duty is eligible to be matched on any day in the accrual period with an asset held by the company, and such other conditions as may be prescribed are fulfilled, and

(c) an election is made in accordance with the regulations to match the duty with the asset on any such day and the election has effect by virtue of the regulations,

the amount of the gain or loss shall be found in accordance with the alternative method of calculation.

(2) Regulations may also provide that as regards any day in respect of which an election has effect the accrued amount shall be ascertained in accordance with prescribed rules.

(3) The reference in sub-paragraph (1) above to the relevant duty is to the duty to which, under the contract, the company becomes subject as regards the second currency (within the meaning given by section 126 of this Act).

(4) Where regulations are made under this paragraph, sub-paragraphs (3) to (12) of paragraph 4 above shall apply as they apply where regulations are made under that paragraph; but in the application of those sub-paragraphs by virtue of this sub-paragraph—

(a) the references to a liability in sub-paragraphs (3), (4), (9) and (11) shall be construed as references to a duty,

(b) the references to liabilities in sub-paragraphs (3) and (4) shall be construed as references to duties, and

(c) the reference in sub-paragraph (11)(a) to sub-paragraph (1) of paragraph 4 shall be construed as a reference to sub-paragraph (1) above."

(3) The following paragraph shall be inserted after paragraph 5—

"5A (1) This paragraph applies where regulations under both paragraph 2 and paragraph 4A above apply—

(a) as regards the same contract, and

(b) for the same accrual period.

(2) Regulations may provide that, as regards any day falling within the period and identified in accordance with prescribed rules, the accrued amount shall be ascertained in accordance with rules prescribed under this paragraph (rather than provisions made under either of those paragraphs)."

(4) In paragraph 6—

(a) for "paragraphs 2 to 5 above" there shall be substituted "the relevant paragraphs";

(b) at the end there shall be inserted "; and the relevant paragraphs are paragraphs 2, 3, 4 and 5 above."

(5) In paragraph 7 for "5" there shall be substituted "5A".