SCHEDULES

SCHEDULE 26

DERIVATIVE CONTRACTS

PART 7

COLLECTIVE INVESTMENT SCHEMES

Contract which becomes contract to which paragraph 36 applies

37 (1) This paragraph applies if the conditions in sub-paragraphs (2) and (3) are satisfied in relation to any relevant contract of a company.

(2) The first condition is that—

(a) the company is party to the relevant contract in two successive accounting periods ("the first and second accounting periods"), and

(b) paragraph 36 applies in relation to that relevant contract for the second accounting period but not the first.

(3) The second condition is that the relevant contract was, immediately before the beginning of the second accounting period, a chargeable asset.

(4) Where an opening valuation of the relevant contract falls to be made at the beginning of the second accounting period (for the purposes of bringing an amount into account for that period on a mark to market basis of accounting), the value of that contract at that time shall be taken for the purpose of the opening valuation to be equal to whatever, in relation to a disposal immediately before the end of the first accounting period, would have been taken to be the market value of that contract for the purposes of the Taxation of Chargeable Gains Act 1992 (c. 12).

(5) When the company ceases to be a party to the relevant contract it shall bring into account, for the accounting period in which it ceased to be a party to that contract, the amount of any chargeable gain or allowable loss which would have been treated as accruing to the company on the assumption—

(a) that it had made a disposal of the asset immediately before the beginning of the second accounting period, and

(b) that the disposal had been for a consideration equal to the value (if any) given to the relevant contract in the accounts of the company at the end of the first accounting period.

(6) For the purposes of this paragraph an asset is a chargeable asset if any gain accruing on the disposal of the asset by the company would be a chargeable gain for the purposes of the Taxation of Chargeable Gains Act 1992 (and includes any obligations under futures contracts which, by virtue of section 143 of that Act, are regarded as assets to the disposal of which that Act applies).