

SCHEDULES

SCHEDULE 10

AMENDMENT OF ENACTMENTS THAT OPERATE BY REFERENCE TO ACCOUNTING PRACTICE

PART 1

LOAN RELATIONSHIPS

Main computational provisions

13 After that section insert—

“94A Loan relationships with embedded derivatives

- (1) This section applies where a company is permitted or required in accordance with generally accepted accounting practice to treat the rights and liabilities under a loan relationship to which it is party (whether as debtor or creditor) as divided between—
 - (a) rights and liabilities under a loan relationship (the “host contract”), and
 - (b) rights and liabilities under one or more derivative financial instruments or equity instruments (“embedded derivatives”).
- (2) The company shall be treated—
 - (a) for the purposes of this Chapter as party to a loan relationship whose rights and liabilities consist only of the rights and liabilities of the host contract, and
 - (b) for the purposes of Schedule 26 to the Finance Act 2002 (derivative contracts) as—
 - (i) party to a relevant contract within the meaning of that Schedule whose rights and liabilities consist only of those of the embedded derivative, or
 - (ii) if there is more than one embedded derivative, party to relevant contracts within the meaning of that Schedule each of whose rights and liabilities consist only of those of one of the embedded derivatives.
- (3) Each relevant contract to which the company is treated as party under subsection (2)(b) shall be treated for the purposes of that Schedule as an option, a future or a contract for differences according to whether the rights and liabilities of the embedded derivative would be of that character if contained in a separate contract.”.