Corporation Tax Act 2010

2010 CHAPTER 4

PART 2

CALCULATION OF LIABILITY IN RESPECT OF PROFITS

CHAPTER 4

CURRENCY

The currency to be used in tax calculations

5 Basic rule: sterling to be used

(1) For corporation tax purposes the income and chargeable gains of a company for an accounting period must be calculated and expressed in sterling.

(2) See the following sections for provision about the application of subsection (1) in certain cases where profits or losses fall to be calculated in accordance with generally accepted accounting practice—

section 6 (UK resident company operating in sterling and preparing accounts in another currency),
section 7 (UK resident company operating in currency other than sterling and preparing accounts in another currency),
section 8 (UK resident company preparing accounts in currency other than sterling),
section 9 (non-UK resident company preparing accounts in currency other than sterling).

[F1(3) See section 9C for provision about the application of subsection (1) so far as it relates to calculating chargeable gains.]
6 UK resident company operating in sterling and preparing accounts in another currency

(1) This section applies if, for a period of account, in accordance with generally accepted accounting practice, a UK resident company \[F2\](other than a UK resident investment company)—

(a) prepares its accounts in a currency other than sterling, and
(b) in those accounts identifies sterling as its functional currency.

\[F3\](1A) This section also applies if, for a period of account, a UK resident investment company

(a) in accordance with generally accepted accounting practice, prepares its accounts in a currency other than sterling, and
(b) either—

(i) has sterling as its designated currency for that period of account (see sections 9A and 9B), or
(ii) if it does not have a designated currency for that period, in those accounts identifies sterling as its functional currency in accordance with generally accepted accounting practice.

(2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as if the company prepared its accounts in sterling.

7 UK resident company operating in currency other than sterling and preparing accounts in another currency

(1) This section applies if, for a period of account, in accordance with generally accepted accounting practice—

(a) a UK resident company \[F4\](other than a UK resident investment company) prepares its accounts in one currency,
(b) in those accounts it identifies another currency as its functional currency, and
(c) that other currency is not sterling.
This section also applies if, for a period of account, a UK resident investment company—

(a) in accordance with generally accepted accounting practice, prepares its accounts in one currency,

(b) either—

(i) has another currency as its designated currency for that period (see sections 9A and 9B), or

(ii) if it does not have a designated currency for that period, in those accounts identifies another currency as its functional currency in accordance with generally accepted accounting practice, and

(c) that other currency is not sterling.

(2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—

**Step 1**

Calculate those profits or losses in the [F6 relevant] currency as if the company prepared its accounts in that currency.

**Step 2**

Take the sterling equivalent of those profits or losses (see section 11).

(3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the [F7 relevant] currency of the company.

[F8 (4) In subsections (2) and (3) “the relevant currency” means the currency other than sterling referred to in subsection (1)(c) or (1A)(c).]

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### Textual Amendments

<table>
<thead>
<tr>
<th>Reference</th>
<th>Amendment</th>
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<tr>
<td>F4</td>
<td>Words in s. 7(1)(a) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by Finance Act 2011 (c. 11), Sch. 7 para. 2(2)</td>
</tr>
<tr>
<td>F5</td>
<td>S. 7(1A) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by Finance Act 2011 (c. 11), Sch. 7 para. 2(3)</td>
</tr>
<tr>
<td>F6</td>
<td>Word in s. 7(2) substituted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by Finance Act 2011 (c. 11), Sch. 7 para. 2(4)</td>
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<td>F7</td>
<td>Word in s. 7(3) substituted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by Finance Act 2011 (c. 11), Sch. 7 para. 2(5)</td>
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<tr>
<td>F8</td>
<td>S. 7(4) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by Finance Act 2011 (c. 11), Sch. 7 para. 2(6)</td>
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### Modifications etc. (not altering text)

<table>
<thead>
<tr>
<th>Reference</th>
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<tbody>
<tr>
<td>C2</td>
<td>S. 7 applied (with modifications) by 2010 c. 8, s. 371SI(3) (as inserted (17.7.2012) by Finance Act 2012 (c. 14), Sch. 20 para. 1)</td>
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</tbody>
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8 UK resident company preparing accounts in currency other than sterling

(1) This section applies if, for a period of account—

(a) a UK resident company prepares its accounts in a currency other than sterling (the “accounts currency”), and
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(b) neither section 6 nor section 7 applies.

(2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—

   Step 1
   Calculate those profits or losses in the accounts currency.

   Step 2
   Take the sterling equivalent of those profits or losses (see section 11).

(3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company.

9 Non-UK resident company preparing return of accounts in currency other than sterling

(1) This section applies if—
   (a) a non-UK resident company carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom, and
   (b) for a period of account, the company prepares its return of accounts in a currency other than sterling (the “accounts currency”).

(2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—

   Step 1
   Calculate those profits or losses in the accounts currency.

   Step 2
   Take the sterling equivalent of those profits or losses (see section 11).

(3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company.

(4) The reference in subsection (1) to the company's “return of accounts” is to a return of such accounts of its permanent establishment in the United Kingdom as may be required under paragraph 3 of Schedule 18 to FA 1998 (company tax returns).

9A Designated currency of a UK resident investment company

(1) The designated currency of a UK resident investment company is the currency which the company elects as its designated currency.

(2) An election under this section by a company (“X”) takes effect only if, at the time when it is to take effect (see section 9B(1))—
   (a) X is a UK resident investment company, and
   (b) Condition A or Condition B is met.

(3) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

(4) Condition A is that a significant proportion of X’s assets and liabilities are denominated in the currency.
(5) Condition B is that—
   (a) the currency is the functional currency of another company, and
   (b) it is reasonable to assume that the two companies will meet the consolidation condition.

(6) X and another company (“Y”) meet the consolidation condition at any time if—
   (a) for a period which includes that time, the financial results of X are comprised in financial statements of Y’s group prepared in accordance with acceptable accounting practice, or
   (b) if no financial statements of the group are prepared in accordance with acceptable accounting practice for a period which includes that time, the financial results of X would be comprised in financial statements of Y’s group for a period which includes that time if such statements were prepared in accordance with international accounting standards.

(7) In subsection (6)—
   “financial statements of the group” means consolidated financial statements of Y and its subsidiaries [F12](and for this purpose “subsidiaries” has the meaning given by international accounting standards),
   [F13]“Y’s group” means a worldwide group of which Y is the ultimate parent within the meaning of Part 10 of TIOPA 2010,[
   “acceptable accounting practice” means—
   (a) international accounting standards,
   (b) UK generally accepted accounting practice, or
   (c) accounting practice which is generally accepted in the country in which Y is resident.

(8) A currency is the designated currency of X for a period of account if the election in respect of that currency has effect throughout that period (see section 9B).

[F14](9) In relation to any period of account for which a currency is X's designated currency as a result of an election under this section, profits or losses of X that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated as if—
   (a) the designated currency were the functional currency of the company, and
   (b) no part of X’s business could, in accordance with generally accepted accounting practice, be regarded as having another currency as its functional currency.]

Textual Amendments
F9 Ss. 9A, 9B inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by Finance Act 2011 (c. 11), Sch. 7 para. 3
F10 S. 9A(2) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), s. 34(3)
F11 S. 9A(3) omitted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), s. 34(4)
F12 Words in s. 9A(7) substituted (with effect in accordance with Sch. 8 para. 28 of the amending Act) by Finance Act 2018 (c. 3), Sch. 8 para. 27(a)
F13 Words in s. 9A(7) substituted (with effect in accordance with Sch. 8 para. 28 of the amending Act) by Finance Act 2018 (c. 3), Sch. 8 para. 27(b)
9B  Period for which an election under section 9A has effect

(1) An election under [F15] section 9A takes effect at the beginning of the day specified in the election as the day on which it takes effect (which must be later than the day on which the election is made).

(2) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

(3) An election under [F17] section 9A may be revoked by notice of the revocation being given to an officer of Revenue and Customs before the election takes effect.

(4) Subject to that, an election has effect until immediately before—
(a) the day on which another election by X takes effect, or
(b) the day on which a revocation event occurs,
(whichever first occurs).

(5) A revocation event occurs in a period of account (other than a period to which subsection (6) applies) if, at any time during that period—
(a) it is not the case that a significant proportion of X's assets and liabilities are denominated in the currency to which the election relates, and
(b) it is not the case that the currency is the functional currency of another company which, with X, met the consolidation condition (within the meaning of section 9A(6)) at any time during the preceding period of account.

(6) [F18] A revocation event occurs in the period of account in which X's first accounting period begins] if—
(a) Condition A and not Condition B is satisfied at the beginning of that accounting period, and
(b) the condition in subsection (5)(a) is met at any time during the period of account but after the first accounting period begins.

(6A) A revocation event also occurs in a period of account (whether or not a period to which subsection (6) applies) if, at any time during that period, X ceases to be a UK resident investment company.

(7) Subsections (8) and (9) apply if a period of account of X (“the straddling period of account”) begins before, and ends on or after, the day on which—
(a) an election under [F28] section 9A takes effect, or
(b) a revocation event occurs.

(8) It is to be assumed, for the purposes of this Chapter, that the straddling period of account consists of two separate periods of account—
(a) the first beginning with the straddling period of account and ending immediately before that day, and
(b) the second beginning with that day and ending with the straddling period of account,
and X's profits and losses are to be computed accordingly for the purposes of corporation tax.

(9) For those purposes, it is to be assumed—
(a) that X prepares its accounts for each of the two periods in the same currency, and otherwise on the same basis, as it prepares its accounts for the straddling period of account,

(b) that if the accounts for the straddling period of account, in accordance with generally accepted accounting practice, identify a currency as X’s functional currency, the accounts for each of the two periods do likewise.

(10) In this section references to “X” are to be construed in accordance with section 9A.

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**Textual Amendments**

F9  Ss. 9A, 9B inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by Finance Act 2011 (c. 11), Sch. 7 para. 3

F15  Words in s. 9B(1) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), s. 34(7)

F16  S. 9B(2) omitted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), s. 34(8)

F17  Words in s. 9B(3) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), s. 34(9)

F18  Words in s. 9B(6) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), s. 34(10)

F19  S. 9B(6A) inserted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), s. 34(11)

F20  Words in s. 9B(7)(a) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), s. 34(12)

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**Chargeable gains and losses of companies**

(1) This section applies if—

(a) a company disposes of an asset which is a ship, an aircraft, shares or an interest in shares, and

(b) at any time beginning with the company's acquisition of the asset (or, if earlier, the time allowable expenditure was first incurred in respect of the asset) and ending with the disposal, the company's relevant currency is not sterling.

(2) A company's relevant currency at any time is its functional currency at that time, subject to subsection (3).

(3) If, at any time—

(a) a company is a UK resident investment company, and

(b) the company has a designated currency (see sections 9A and 9B) which is different from its functional currency,

the company's relevant currency at that time is that designated currency.

(4) If the relevant currency of the company at the time of the disposal is not sterling, the chargeable gain or loss accruing to the company on the disposal must be calculated as follows—

*Step 1* Calculate the chargeable gain or loss in the relevant currency of the company at the time of the disposal.

*Step 2* Translate the amount of the chargeable gain or loss into sterling by reference to the spot rate of exchange on the day of the disposal.
(5) In any case, subsections (6) to (10) apply for the purposes of calculating the chargeable gain or loss.

(6) Where any allowable expenditure is incurred in a currency which is not the company's relevant currency at the time it is incurred, that expenditure is to be translated into that relevant currency by reference to the spot rate of exchange for the day on which it is incurred.

(7) Where, at any time after any allowable expenditure is incurred but before the asset is disposed of, there is a change in the company's relevant currency, that expenditure is to be translated (or, if it has previously been translated under this section, further translated) into the relevant currency of the company immediately following the change, by reference to the spot rate of exchange for the day of the change.

(8) Any amount of consideration for the disposal which is given in a currency other than the company's relevant currency is to be translated into that relevant currency by reference to the spot rate of exchange on the day of disposal.

(9) For the purposes of subsections (6) and (7)—
   (a) any translation of expenditure under subsection (6) is to be done before any translation of the expenditure under subsection (7), and
   (b) if subsection (7) applies as a result of more than one change in the company's relevant currency, it is to be applied in relation to each change in the order the changes were made (with the earliest first).

(10) Where, by virtue of any enactment, the company was at any time treated for the purposes of corporation tax on chargeable gains as acquiring the asset—
   (a) for a consideration of such amount as would secure that neither a gain nor a loss would accrue to the person disposing of the asset, or
   (b) for a consideration equal to the market value of the asset,
   for the purposes of this section that allowable expenditure is treated as incurred by the company at that time.

(11) For the purposes of this section, a reference to a ship or aircraft includes a reference to the benefit of a contract—
   (a) to which section 67 of CAA 2001 applies, and
   (b) which relates to plant or machinery which is a ship or aircraft.

(12) In this section—
   “allowable expenditure” means expenditure which, immediately before the disposal, was attributable to the asset under section 38(1)(a) to (c) of TCGA 1992;
   “interest in shares” has the same meaning as in Schedule 7AC to TCGA 1992 (see paragraph 29 of that Schedule);
   “shares” includes stock.]
Changes to legislation:
Corporation Tax Act 2010, Cross Heading: The currency to be used in tax calculations is up to date with all changes known to be in force on or before 22 February 2020. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.
View outstanding changes

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):
  – s. 107(10)(11) inserted by S.I. 2019/689 reg. 17(2)(b)
  – s. 357BB(6A) inserted by S.I. 2019/818 reg. 8(3)(d)
  – s. 357BBA inserted by S.I. 2019/818 reg. 8(4)
  – s. 658(1)(d)(e) inserted by 2010 c. 13 Sch. 6 para. 31 (This amendment not applied to legislation.gov.uk. Sch. 6 para. 31 omitted (retrospective to 6.4.2010) by virtue of Finance Act 2012 (c. 14), s. 52(2) (3))
  – s. 1158(4)(c) substituted by S.I. 2019/818 reg. 8(7)