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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Paragraph 68. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 7

#### LOAN RELATIONSHIPS AND DERIVATIVE CONTRACTS

#### PART 2

##### DERIVATIVE CONTRACTS: AMENDMENTS OF PART 7 OF CTA 2009

- 68 (1) Section 606 (exchange gains and losses) is amended as follows.
- (2) In subsection (1), for “section 595(3)” substitute “ section 594A(1) ”.
- (3) Omit subsections (2) and (2A).
- (4) For subsection (3) substitute—
- “(3) But subsection (1) does not apply to an exchange gain or loss of a company so far as it—
- (a) arises as a result of the translation of the assets, liabilities, income and expenses of all or part of the company's business from the functional currency of the business, or that part of the business, into another currency, and
- (b) has been recognised as an item of other comprehensive income.
- (3A) In subsection (3)—
- (a) the reference to the functional currency of a business or part of a business is a reference to the currency of the primary economic environment in which the business or part operates, and
- (b) “assets, liabilities, income and expenses” and “item of other comprehensive income” each has the meaning that it has for accounting purposes.
- (3B) No amount is to be brought into account for the purposes of this Part in respect of an exchange gain or loss of an investment company (within the meaning of section 17 of CTA 2010) which would not have arisen but for a change in the company's functional currency (within the meaning of section 17(4) of that Act) as between—
- (a) the period of account of the company in which the gain or loss arises, and
- (b) a period of account of the company ending in the 12 months immediately preceding that period.
- (3C) But subsection (3B) does not apply to an exchange gain or loss arising at a time when an election under section 9A of CTA 2010 (designated currency of UK resident investment company) has effect in relation to the company.”
- (5) For subsection (4) substitute—

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“(4) The Treasury may by regulations make provision—

- (a) excluding exchange gains or losses of a specified description from being brought into account for the purposes of this Part,
- (b) requiring exchange gains or losses of a specified description which would not otherwise be brought into account for the purposes of this Part to be brought into account in specified circumstances,
- (c) as to the way in which, including the currency by reference to which, any exchange gains or losses to be brought into account as a result of provision made under paragraph (b) are to be calculated, and
- (d) as to the way in which any such exchange gains or losses are to be brought into account.

(4ZA) For the purposes of subsection (4)(b), it does not matter whether the exchange gains or losses would otherwise be excluded from being brought into account by regulations under subsection (4)(a) or otherwise.”

(6) Omit subsections (4A) to (5).

(7) In subsection (6)—

- (a) for “The reference in subsection (5)” substitute “References in subsection (4)”, and
- (b) for “is a reference” substitute “are references”.

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