

SCHEDULES

SCHEDULE 7

LOAN RELATIONSHIPS AND DERIVATIVE CONTRACTS

PART 2

DERIVATIVE CONTRACTS: AMENDMENTS OF PART 7 OF CTA 2009

- 59 Part 7 of CTA 2009 (derivative contracts) is amended as follows.
- 60 In section 594 (overview of Chapter 3 of Part 7), in subsection (2)—
- (a) before paragraph (a) insert—
 - “(za) makes provision about the matters in respect of which amounts are to be brought into account (see section 594A),”, and
 - (b) for paragraph (g) substitute—
 - “(g) makes provision about cases where amounts are recognised even though companies are not, or have ceased to be, parties to derivative contracts (see section 607A),
 - (ga) makes provision about companies moving abroad (see sections 609 and 610), and”.
- 61 After section 594 insert—

“Matters in respect of which amounts are to be brought into account

594A Matters in respect of which amounts are to be brought into account

- (1) The matters in respect of which amounts are to be brought into account for the purposes of this Part in respect of a company’s derivative contracts are—
 - (a) profits and losses of the company which arise to it from its derivative contracts and related transactions (excluding expenses), and
 - (b) expenses incurred by the company under or for the purposes of those contracts and transactions.
- (2) Expenses are only treated as incurred as mentioned in subsection (1)(b) if they are incurred directly—
 - (a) in bringing any of the derivative contracts into existence,
 - (b) in entering into or giving effect to any of the related transactions,
 - (c) in making payments under any of those contracts or as a result of any of those transactions, or
 - (d) in taking steps to secure the receipt of payments under any of those contracts or in accordance with any of those transactions.
- (3) For the treatment of pre-contract or abortive expenses, see section 607.

Status: This is the original version (as it was originally enacted).

- (4) In subsection (1) “profits and losses” include profits and losses of a capital nature.
- (5) For the meaning of “related transaction”, see section 596.”
- 62 (1) Section 595 (general principles about the bringing into account of credits and debits) is amended as follows.
 - (2) In subsection (2)—
 - (a) after “this Part” insert “in respect of the matters mentioned in section 594A(1)”, and
 - (b) omit “(but this is subject to subsections (3) and (4))”.
 - (3) After subsection (2) insert—
 - “(2A) Subsections (2B) and (2C) apply if an accounting period of a company does not coincide with one or more of its periods of account.
 - (2B) The amounts referred to in subsection (2) are to be determined by apportionment in accordance with section 1172 of CTA 2010 (time basis).
 - (2C) But if it appears that apportionment in accordance with that section would work unreasonably or unjustly for an accounting period, subsection (2) is to be read as referring to amounts that would have been recognised in determining the company’s profit or loss for that period in accordance with generally accepted accounting practice if accounts had been drawn up for that period.”
 - (4) Omit subsections (3) to (6) and (8).
- 63 (1) Section 597 (amounts recognised in determining a company’s profit or loss) is amended as follows.
 - (2) In subsection (1), for the words from “recognised”, in the second place, onwards substitute “that is recognised in the company’s accounts for the period as an item of profit or loss”.
 - (3) After subsection (1) insert—
 - “(1A) The reference in subsection (1) to an amount recognised in the company’s accounts for the period as an item of profit or loss includes a reference to an amount that—
 - (a) was previously recognised as an item of other comprehensive income, and
 - (b) is transferred to become an item of profit or loss in determining the company’s profit or loss for the period.
 - (1B) In subsections (1) and (1A) “item of profit or loss” and “item of other comprehensive income” each has the meaning that it has for accounting purposes.”
 - (4) Omit subsections (2) and (3).
- 64 In section 599B (determination of credits and debits where amounts not fully recognised), in subsection (4)(b), for “carrying value” substitute “tax-adjusted carrying value”.

65 (1) Section 604 (credits and debits treated as relating to capital expenditure) is amended as follows.

(2) For subsections (1) to (3) substitute—

“(1) This section applies if—

- (a) an amount for an accounting period in respect of a company’s derivative contract relates to any of the matters in section 594A(1),
- (b) generally accepted accounting practice allows the amount to be treated in the company’s accounts as an amount recognised in determining the carrying value of an asset or liability, and
- (c) any profit or loss for corporation tax purposes in relation to that asset or liability will not fall to be calculated in accordance with generally accepted accounting practice.

(2) Despite that treatment, the amount must be brought into account as a credit or debit in accordance with this Part, for the accounting period in which it is recognised, in the same way as an amount which is brought into account as a credit or debit in determining the company’s profit or loss for that period in accordance with generally accepted accounting practice.

(3) But subsection (2) does not apply to an amount which relates to an intangible fixed asset to which an election under section 730 (writing down at fixed rate: election for fixed-rate basis) applies.”

(3) Omit subsection (4).

(4) For subsection (5) substitute—

“(5) If an amount is brought into account as mentioned in subsection (2) as a debit, no debit may be brought into account in accordance with this Part in respect of—

- (a) the writing down of so much of the value of the asset or liability as is attributable to that debit, or
- (b) so much of any amortisation or depreciation representing a writing off of that value as is attributable to that debit.”

66 After section 604 insert—

“604A Amounts recognised in other comprehensive income and not transferred to profit or loss

(1) This section applies if—

- (a) in a period of account a derivative contract of a company ceases in accordance with generally accepted accounting practice to be recognised in the company’s accounts,
- (b) amounts relating to the matters mentioned in section 594A(1) in respect of that derivative contract have in accordance with generally accepted accounting practice been recognised in the company’s accounts as items of other comprehensive income and have not subsequently been transferred to become items of profit or loss, and
- (c) condition A or B is met.

Status: This is the original version (as it was originally enacted).

- (2) Condition A is that, at the time when the derivative contract ceases to be recognised, it is not expected that the amounts mentioned in subsection (1)(b) will in future be transferred to become items of profit or loss.
- (3) Condition B is that, at any later time, it is no longer expected that the amounts mentioned in subsection (1)(b) will in future be transferred to become items of profit or loss.
- (4) The amounts mentioned in subsection (1)(b)—
 - (a) must be brought into account for the purposes of this Part as credits or debits for the period of account in which the time mentioned in subsection (2) or (3) falls, in the same way as a credit or debit which is brought into account in determining the company's profit or loss for that period in accordance with generally accepted accounting practice, and
 - (b) must not be brought into account for a later period of account even if they are subsequently transferred to become items of profit or loss for the later period.
- (5) This section applies in a case where part of a derivative contract of a company ceases to be recognised in the company's accounts as it applies in a case where the whole of a derivative contract ceases to be recognised, but as if the reference in subsection (1)(b) to amounts in respect of a derivative contract were a reference to so much of those amounts as are attributable to that part of the derivative contract.
- (6) In determining what amounts fall within subsection (1)(b) at any time in an accounting period, it is to be assumed that the accounting policy applied in drawing up the company's accounts for the period was also applied in previous accounting periods.
- (7) But if the company's accounts for the period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous accounting periods which differs from that mentioned in subsection (6), that different assumption applies in determining what amounts fall within subsection (1)(b) at the time in question.
- (8) In this section "item of profit or loss" and "item of other comprehensive income" each has the meaning that it has for accounting purposes."

67 Omit section 605 (credits and debits recognised in equity).

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

Status: This is the original version (as it was originally enacted).

(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—

“(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”.

69 Omit sections 606A to 606H (derivative contracts: arrangements that have “one-way exchange effect”) (which are superseded by the amendments made by paragraph 94).

70 (1) Section 607 (pre-contract or abortive expenses) is amended as follows.

- (2) In subsection (1)(c), for “section 595(3)(b)” substitute “section 594A(1)(b)”.
- (3) In subsection (2), for “section 595(3)” substitute “section 595(2)”.
- 71 After section 607 insert—

“607A Company is not, or has ceased to be, party to derivative contract

- (1) This section applies if—
- (a) amounts in respect of a qualifying contract are recognised in a company’s accounts for an accounting period (“the current period”) as an item of profit or loss even though during all or part of the period the company is not a party to the qualifying contract,
 - (b) any of conditions A to D is met, and
 - (c) in the absence of this section, the credits and debits brought into account by the company for the purposes of this Part for the current period would not include credits or debits representing the whole of those amounts.
- (2) In this section “qualifying contract” means—
- (a) a derivative contract, or
 - (b) a contract that would be a derivative contract if references in section 576(1) to a company were references to any person.
- (3) Condition A is that—
- (a) the company was a party to the qualifying contract,
 - (b) amounts in respect of the qualifying contract were recognised in the company’s accounts as an item of profit or loss when it was a party to the contract, and
 - (c) any amounts in respect of the contract continue to be recognised in those accounts as an item of profit or loss.
- (4) Condition B is that the amounts recognised as mentioned in subsection (1)(a) are recognised as a result of a transaction which has the effect of transferring to the company all or part of the risk or reward relating to the qualifying contract without a corresponding transfer of rights or obligations under the contract.
- (5) Condition C is that the amounts recognised as mentioned in subsection (1)(a) are recognised as a result of a related transaction in relation to a qualifying contract to which the company was, but has ceased to be, a party.
- (6) Condition D is that—
- (a) the amounts recognised as mentioned in subsection (1)(a) are recognised because the company may enter into a qualifying contract or related transaction but has not yet done so, and
 - (b) the amounts are not expenses to which section 607 applies.
- (7) The company must bring credits and debits into account for the purposes of this Part for the accounting period as if the company were a party to the qualifying contract for the whole of the accounting period.
- (8) The amounts that must be brought into account are those amounts in respect of the qualifying contract that are recognised in the company’s accounts for

the accounting period as an item of profit or loss (but subject to the provisions of this Part).

- (9) This section is subject to sections 607B and 607C.
- (10) In this section—
- “item of profit or loss” has the meaning it has for accounting purposes;
 - “recognised” means recognised in accordance with generally accepted accounting practice;
 - “related transaction”, in relation to a qualifying contract, is to be read as if the references in section 596(1) and (2) to a derivative contract were to a qualifying contract.

607B Exclusion of debit where relief allowed to another

A company is not to bring into account as a debit for the purposes of this Part as a result of section 607A any amount which—

- (a) is brought into account as a debit for those purposes by another company,
- (b) is brought into account so as to reduce the assumed taxable total profits of another company for the purposes of Part 9A of TIOPA 2010 (controlled foreign companies), or
- (c) is allowable as a deduction by a person for the purposes of income tax.

607C Avoidance of double charge

- (1) This section applies if at any time a company (“the relevant company”) is required by section 607A to bring into account as a credit for the purposes of this Part an amount—
- (a) which is brought into account as a credit for those purposes by another company,
 - (b) which is brought into account in determining the assumed taxable total profits of another company for the purposes of Part 9A of TIOPA 2010 (controlled foreign companies), or
 - (c) on which a person is charged to income tax.
- (2) In order to avoid a double charge to tax in respect of the amount, the relevant company may make a claim for one or more consequential adjustments to be made in respect of the amount brought into account as a credit.
- (3) On a claim under this section an officer of Revenue and Customs must make such of the consequential adjustments claimed (if any) as are just and reasonable.
- (4) Consequential adjustments may be made—
- (a) in respect of any period,
 - (b) by way of an assessment, the modification of an assessment, the amendment of a claim, or otherwise, and
 - (c) despite any time limit imposed by or under any enactment.”

Status: This is the original version (as it was originally enacted).

73 In section 612 (overview of Chapter 4 of Part 7), in subsection (2)(a), for “policy”
substitute “basis”.

74 In the italic heading before section 613, for “policy” substitute “basis”.

75 (1) Section 613 (introduction to sections 614 and 615) is amended as follows.

(2) For subsection (1) substitute—

“(1) Sections 614 and 615 (adjustments on change of accounting basis) apply if—

(a) a company changes, from one period of account or accounting period to the next, the basis of accounting on which credits and debits relating to its derivative contracts or any of them are calculated for the purposes of this Part,

(b) the change of basis—

(i) is made in order to comply with a provision made by or under this Part requiring those credits and debits to be determined on a particular basis of accounting, or

(ii) results from a change of the company’s accounting policy,

(c) the change of basis is not made in order to comply with amending legislation not applicable to the previous period,

(d) the old basis accorded with the law or practice applicable in relation to the period before the change, and

(e) the new basis accords with the law and practice applicable to the period after the change.”

(3) In subsection (2), for “those periods of account” substitute “the periods mentioned in subsection (1)”.

(4) Omit subsection (3).

76 For section 614 substitute—

“614 Change of basis of accounting involving change of value

(1) If there is a difference between—

(a) the tax-adjusted carrying value of a derivative contract at the end of the earlier period, and

(b) the tax-adjusted carrying value of that derivative contract at the beginning of the later period,

a credit or debit (as the case may be) of an amount equal to the difference must be brought into account for the purposes of this Part for the later period in the same way as a credit or debit which is brought into account in determining the company’s profit or loss for that period in accordance with generally accepted accounting practice.

(2) This section does not apply so far as the credit or debit falls to be brought into account apart from this section.”

77 (1) Section 615 (change of accounting policy after ceasing to be party to derivative contract) is amended as follows.

(2) In subsection (1), for paragraph (b) substitute—

“(b) section 607A (company is not, or has ceased to be, party to derivative contract) applied to the cessation, and”.

(3) For subsections (2) and (3) substitute—

“(2) A credit or debit (as the case may be) of an amount equal to the difference must be brought into account for the purposes of this Part for the later period in the same way as a credit or debit which is brought into account in determining the company’s profit or loss for that period in accordance with generally accepted accounting practice.”

(4) In subsection (4), for “Subsections (2) and (3) do” substitute “Subsection (2) does”.

(5) For subsection (5) substitute—

“(5) In this section “the amount outstanding in respect of the derivative contract” means—

- (a) so much of the recognised deferred income or recognised deferred loss from the derivative contract as has not been represented by credits or debits brought into account in accordance with this Part in respect of the contract, and
- (b) any amounts relating to the matters mentioned in section 594A(1) in respect of the derivative contract that have in accordance with generally accepted accounting practice been recognised in the company’s accounts as items of other comprehensive income and not transferred to become items of profit or loss.”

(6) After subsection (6) insert—

“(7) In determining what amounts fall within subsection (5)(b) at the beginning or end of a period, it is to be assumed that the accounting policy applied in drawing up the company’s accounts for the period was also applied in previous periods.

(8) But if the company’s accounts for the period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous periods which differs from that mentioned in subsection (7), that different assumption applies in determining what amounts fall within subsection (5)(b) at the beginning or end of the period.”

78 In section 622 (contracts ceasing to be derivative contracts), in subsection (4), for “the carrying value of the contract in” substitute “the tax-adjusted carrying value of the contract based on”.

79 In section 625 (group member replacing another as party to derivative contract), in subsection (6)(b), for “its carrying value in” substitute “its tax-adjusted carrying value based on”.

80 Omit section 629 (disapplication of section 625 where transferor party to avoidance) (which is superseded by the amendment made by paragraph 94).

81 In section 653 (shares issued or deferred as a result of exercise of deemed option), in subsection (2), for “carrying value” substitute “tax-adjusted carrying value”.

82 In section 654 (payment instead of disposal on exercise of deemed option), in subsection (3), in the definition of “CV”, in paragraphs (a) and (b), for “carrying value” substitute “tax-adjusted carrying value”.

83 In section 658 (chargeable gain or allowable loss treated as accruing), in subsection (5)(b), for “carrying value” substitute “tax-adjusted carrying value”.

Status: This is the original version (as it was originally enacted).

- 84 In section 666 (allowable loss treated as accruing), in subsection (2), in the
definition of “B”, for “carrying value” substitute “tax-adjusted carrying value”.
- 85 In section 671 (meaning of G, L and CV in section 670), in subsection (4), for
“carrying value”, in each place, substitute “tax-adjusted carrying value”.
- 86 In section 673 (meaning of G, L and CV in section 672), in subsection (4), for
“carrying value”, in each place, substitute “tax-adjusted carrying value”.
- 87 In section 675 (transfer of derivative contract at notional carrying value), in
subsection (3), for “its carrying value in” substitute “its tax-adjusted carrying value
based on”.
- 88 In section 684 (transfer of derivative contract at notional carrying value), in
subsection (3), for “its carrying value in” substitute “its tax-adjusted carrying value
based on”.
- 89 In section 689 (overview of Chapter 11 of Part 7), in subsection (2)—
(a) omit paragraph (d) (including the “and” at the end), and
(b) at the end of paragraph (e) insert “and
(f) for rules dealing with tax avoidance arrangements, see
sections 698B to 698D.”
- 90 (1) Section 690 (derivative contracts for unallowable purposes) is amended as follows.
(2) After subsection (3) insert—
“(3A) If—
(a) a credit brought into account for that period for the purposes of
this Part by the company would (in the absence of this section) be
reduced, and
(b) the reduction represents an amount which, if it did not reduce a
credit, would be brought into account as a debit in respect of that
contract,
subsection (3) applies to the amount of the reduction as if it were an amount
that would (in the absence of this section) be brought into account as a debit.”
- (3) In subsection (6), omit the words from “which are” onwards.
- 91 In section 691 (meaning of “unallowable purpose”), after subsection (1) insert—
“(1A) In subsection (1)(b) “related transaction”, in relation to a derivative contract,
includes anything which equates in substance to a disposal or acquisition of
the kind mentioned in section 596(1) (as read with section 596(2)).”
- 92 In section 692 (allowance of accumulated net losses), in Step 3 in subsection (5)—
(a) for “the amount” substitute “so much”, and
(b) at the end insert “as are referable to the unallowable purpose mentioned in
subsection (1)(a) on a just and reasonable apportionment”.
- 93 Omit section 698 (derivative contracts: disposals for consideration not fully
recognised by accounting practice) (which is superseded by the amendment made
by paragraph 94).
- 94 In Chapter 11 of Part 7 of CTA 2009, after section 698A insert—

“Counteracting avoidance arrangements”

698B Counteracting effect of avoidance arrangements

- (1) Any derivative-related tax advantages that would (in the absence of this section) arise from relevant avoidance arrangements are to be counteracted by the making of such adjustments as are just and reasonable in relation to credits and debits to be brought into account for the purposes of this Part.
- (2) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of an assessment, the modification of an assessment, amendment or disallowance of a claim, or otherwise.
- (3) For the meaning of “relevant avoidance arrangements” and “derivative-related tax advantage”, see section 698C.

698C Interpretation of section 698B

- (1) This section applies for the interpretation of section 698B (and this section).
- (2) “Arrangements” include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).
- (3) Arrangements are “relevant avoidance arrangements” if their main purpose, or one of their main purposes, is to enable a company to obtain a derivative-related tax advantage.
- (4) But arrangements are not “relevant avoidance arrangements” if the obtaining of any derivative-related tax advantages that would (in the absence of section 698B) arise from them can reasonably be regarded as consistent with any principles on which the provisions of this Part that are relevant to the arrangements are based (whether expressed or implied) and the policy objectives of those provisions.
- (5) A company obtains a “derivative-related tax advantage” if—
 - (a) it brings into account a debit to which it would not otherwise be entitled,
 - (b) it brings into account a debit which exceeds that to which it would otherwise be entitled,
 - (c) it avoids having to bring a credit into account,
 - (d) the amount of any credit brought into account by the company is less than it would otherwise be, or
 - (e) it brings a debit or credit into account earlier or later than it otherwise would.
- (6) In subsection (5), references to bringing a debit or credit into account are references to bringing a debit or credit into account for the purposes of this Part.

698D Examples of results that may indicate exclusion not applicable

- (1) Each of the following is an example of something which might indicate that arrangements whose main purpose, or one of whose main purposes, is to enable a company to obtain a derivative-related tax advantage are not excluded by section 698C(4) from being “relevant avoidance arrangements” for the purposes of section 698B—
 - (a) the elimination or reduction, for purposes of corporation tax, of profits of a company arising from any of its derivative contracts, where for economic purposes profits, or greater profits, arise to the company from that contract;
 - (b) the creation or increase, for purposes of corporation tax, of a loss or expense arising from a derivative contract, where for economic purposes no loss or expense, or a smaller loss or expense, arises from that contract;
 - (c) preventing or delaying the recognition as an item of profit or loss of an amount that would apart from the arrangements be recognised in the company’s accounts as an item of profit or loss or be so recognised earlier;
 - (d) ensuring that a derivative contract is treated for accounting purposes in a way in which it would not have been treated in the absence of some other transaction forming part of the arrangements;
 - (e) enabling a company to bring into account a debit in respect of an exchange loss, in circumstances where a corresponding exchange gain would not give rise to a credit or would give rise to a credit of a smaller amount;
 - (f) enabling a company to bring into account a debit in respect of a fair value loss in circumstances where a corresponding fair value gain would not give rise to a credit or would give rise to a credit of a smaller amount.
- (2) But in each case the result concerned is only capable of indicating that section 698C(4) is not available if it is reasonable to assume that such a result was not the anticipated result when the provisions of this Part that are relevant to the arrangements were enacted
- (3) In subsection (1)(f) references to a fair value gain or a fair value loss are references respectively to—
 - (a) a profit to be brought into account in relation to a derivative contract where fair value accounting is used for the period in question, or
 - (b) a loss to be brought into account in relation to a derivative contract where fair value accounting is used for the period in question.
- (4) “Arrangements” and “derivative-related tax advantage” have the same meaning as in section 698C.”

95

For section 702 substitute—

“702 Tax-adjusted carrying value”

- (1) This section applies for the purposes of this Part.

- (2) “Tax-adjusted carrying value”, in relation to a contract, means the carrying value of the contract recognised for accounting purposes, except as provided by subsection (7).
- (3) For the purposes of this section the “carrying value” of the contract includes amounts recognised for accounting purposes in relation to the contract in respect of—
 - (a) accrued amounts,
 - (b) amounts paid or received in advance, or
 - (c) impairment losses (including provisions for bad or doubtful debts).
- (4) In determining the tax-adjusted carrying value of a contract in a period of account of a company, it is to be assumed that the accounting policy applied in drawing up the company’s accounts for the period was also applied in previous periods of account.
- (5) But if the company’s accounts for the period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous periods of account which differs from that mentioned in subsection (4), that different assumption applies in determining the tax-adjusted carrying value of the contract in the period.
- (6) In determining the tax-adjusted carrying value of a contract at a time other than the end (or beginning) of a period of account of a company, it is to be assumed that a period of account of the company had ended at the time in question.
- (7) In determining the profits and losses to be recognised in determining the tax-adjusted carrying value of the contract, the provisions specified in subsection (8) apply as they apply for the purposes of determining the credits and debits to be brought into account in accordance with this Part.
- (8) Those provisions are—
 - (a) section 584 (hybrid derivatives with embedded derivatives),
 - (b) section 585 (loan relationships with embedded derivatives),
 - (c) section 586 (other contracts with embedded derivatives),
 - (d) section 597 (amounts recognised in determining profit or loss),
 - (e) sections 599A and 599B (amounts not fully recognised for accounting purposes),
 - (f) section 604A (amounts recognised in other comprehensive income and not transferred to profit and loss),
 - (g) Chapter 5 (transactions within groups),
 - (h) Chapter 9 (European cross-border transfers of business), and
 - (i) Chapter 10 (European cross-border mergers).
- (9) In this section “impairment loss” means a debit in respect of the impairment of a financial asset and “impairment” includes uncollectability.”

96 In section 705 (expressions relating to exchange gains and losses), in subsection (3), omit “in a case where fair value accounting is used by the company”.

97 In section 710 (other definitions)—

- (a) before the definition of “bank” insert—

Status: This is the original version (as it was originally enacted).

- ““accounting policy”, in relation to a company, means the principles, bases, conventions, rules and practices that the company applies in preparing and presenting its financial statements,”,
- (b) for the definition of “fair value accounting” substitute—
- ““fair value accounting” means a basis of accounting under which—
- (a) assets and liabilities are measured in the company’s balance sheet at their fair value, and
- (b) changes in the fair value of assets and liabilities are recognised as items of profit or loss,” and
- (c) omit the definition of “statement of comprehensive income”.