
STATUTORY INSTRUMENTS

1996 No. 1349

INCOME TAX

The Exchange Gains and Losses (Transitional Provisions) (Amendment) Regulations 1996

<i>Made</i>	- - - -	<i>21st May 1996</i>
<i>Laid before the House of Commons</i>	- - - -	<i>21st May 1996</i>
<i>Coming into force</i>	- -	<i>30th June 1996</i>

The Treasury, in exercise of the powers conferred on them by sections 164(14) and 167(1) and (4) to (6) of, and Schedule 16 to, the Finance Act 1993⁽¹⁾, hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Exchange Gains and Losses (Transitional Provisions) (Amendment) Regulations 1996 and shall come into force on 30th June 1996.

Interpretation

2. In these Regulations “the principal Regulations” means the Exchange Gains and Losses (Transitional Provisions) Regulations 1994⁽²⁾ and “regulation” means a regulation of the principal Regulations.

Amendments to the principal Regulations

3. In regulation 1(3) after sub-paragraph (b) the following sub-paragraph shall be inserted—
- “(ba) “discounted debt” has the same meaning as “relevant discounted security” as that term is defined for the purposes of Schedule 13 to the Finance Act 1996 by paragraphs 3 and 14(1) of that Schedule;”.
4. In regulation 6—
- (a) in paragraph (2)—
- (i) in sub-paragraph (a) for the words from “the expiry” to “1995” there shall be substituted “30th September 1996”;

(1) 1993 c. 34; subsections (5A) and (SB) of section 167 were inserted by paragraph 74 of Schedule 14 to the Finance Act 1996 (c. 8).

(2) S.I.1994/3226, to which there are amendments not relevant to these Regulations.

- (ii) in sub-paragraph (b) after the words “commencement day and” there shall be inserted “, subject to paragraph (2A) below,”;
- (b) after paragraph (2) the following paragraph shall be inserted—
 - “(2A) An election under paragraph (2) above may be withdrawn, with effect from the beginning of the company’s commencement day, by notice by the company to the inspector before 30th September 1996.”
- 5. In regulation 10 after paragraph (2) the following paragraph shall be added—
 - “(3) Where—
 - (a) the asset held or the liability owed by the company consists of a discounted debt, and
 - (b) the company did not cease on 31st March 1996 to be entitled to the asset or (as the case may be) subject to the liability,it shall be regarded, for the purposes of paragraph (1) above and section 158 (translation times and accrual periods), as ceasing on that date to be so entitled or subject, and references in this regulation and in regulations 11 and 12 to accrual periods (including references to an accrual period as the current period) shall, as respects that asset or liability, be construed accordingly.”
- 6. In regulation 13(4) for “14(2) to (11)” there shall be substituted “14(5) to (9) and (11)”.
- 7.—(1) In regulation 14—
 - (a) paragraphs (2) to (4) shall be omitted;
 - (b) in paragraph (5) for the words from “paragraph (2) above” to “paragraph (3) above” there shall be substituted “regulation 13”;
 - (c) paragraph (10) shall be omitted.(2) Paragraph (1) shall have effect with respect to any disposal of an asset to which regulation 6(3) applies that is made on or after 1st April 1996.
- 8. In regulation 15—
 - (a) in paragraph (1)—
 - (i) for the words from “the expiry” to “1995” there shall be substituted “30th September 1996”;
 - (ii) for the words “paragraph (6)” there shall be substituted “paragraphs (6) and (7)”;
 - (iii) in sub-paragraph (a) for the words “day, and ” there shall be substituted “day and, subject to paragraph (1A) below,”;
 - (b) after paragraph (1) the following paragraph shall be inserted—
 - “(1A) An election under paragraph (1) above may be withdrawn, with effect from the beginning of the company’s commencement day, by notice by the company to the inspector before 30th September 1996.”;
 - (c) after paragraph (6) the following paragraph shall be added—
 - “(7) Where in relation to an existing asset held by the company—
 - (a) an election has effect under regulation 6(2),
 - (b) an election has effect under this regulation,
 - (c) there is an attributed gain or loss computed in accordance with paragraph (2) of this regulation as respects the asset, and

(d) any of the dates referred to in sub-paragraphs (b) and (c) of that paragraph falls in an accounting period of the company ending on or after 30th June 1996, no part of the attributed gain or loss shall be taken into account for the purposes of corporation tax for that accounting period, but the amount of the attributed gain or loss which would have been taken into account for that period but for this paragraph shall be treated for the purposes of regulation 13 as a relevant gain or loss falling within that regulation.”

9. In regulation 18 after paragraph (5) the following paragraph shall be added—

“(6) Where—

- (a) the asset held or the liability owed by the company consists of a discounted debt, and
- (b) the company did not cease on 31st March 1996 to be entitled to the asset or (as the case may be) subject to the liability,

it shall be regarded, for the purposes of paragraph (1) above and section 158, as ceasing on that date to be so entitled or subject, and references in this regulation, and in regulations 19 and 20, to accrual periods (including references to an accrual period as the current period) shall, as respects that asset or liability, be construed accordingly.”

21st May 1996

Simon Burns
Michael Bates
Two of the Lords Commissioners of Her
Majesty’s Treasury

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Exchange Gains and Losses (Transitional Provisions) Regulations 1994 (S.I. 199413226) (“the principal Regulations”). Regulations 3,5 to 7, and 9 make amendments which reflect the provisions of the Finance Act 1996 for taxing and relieving profits or losses on loan relationships with effect from 1st April 1996. Regulations 4 and 8 amend provisions of the principal Regulations for the making of elections.

Regulation 1 provides for citation and commencement, and regulation 2 for interpretation.

Regulation 3 inserts a definition of “discounted debt” in regulation 1(3) of the principal Regulations (interpretation).

Regulation 4 extends the time limit for making an election under regulation 6(2) of the principal Regulations (basic valuation of an asset or liability) to 30th September 1996, and provides that an election may be withdrawn before that date.

Regulation 5 disapplies as from 31st March 1996 regulation 10 of the principal Regulations (“cumulative gain and cumulative loss”) in cases where an existing asset held or liability owed by a company consists of a discounted debt.

Regulation 6 amends regulation 13 of the principal Regulations as a consequence of the amendment made by regulation 7.

Regulation 7 amends regulation 14 of the principal Regulations by omitting certain provisions of that regulation in relation to disposals of existing chargeable assets on or after 1st April 1996.

Regulation 8 makes a similar provision to that made by regulation 4 in relation to an election under regulation 15 of the principal Regulations re-commencement day gains and losses), and also provides that where a company makes an election under both regulation 6(2) and regulation 15 of the principal Regulations in relation to an existing asset, loss relief in respect of the asset is not available for accounting periods ending after the coming into force of these Regulations.

Regulation 9 amends regulation 18 of the principal Regulations in similar manner to the amendment made to regulation 10 of the principal Regulations by regulation 5 of these Regulations.

Authority for the retrospective effect of regulations 5,7 and 9 is given by section 167(5B) of the Finance Act 1993 (inserted by paragraph 74 of Schedule 14 to the Finance Act 1996).