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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Exchange Gains and Losses (Bringing into Account Gains or Losses) Regulations 2002 (S.I. 2002/1970) : (“the principal Regulations”).

Section 84A of the Finance Act 1996 (c. 8) and paragraph 16 of Schedule 26 to the Finance Act 2002 (c. 23) allow certain exchange gains and losses to be kept out of account for tax purposes when they are recognised in a company’s accounts provided they are subsequently brought into account. The principal Regulations provided how and when such amounts would be brought into account.

The Finance Act 2004 (c. 12) made changes to the loan relationships and foreign currency accounting rules. The effect of these amendments is to reflect the matching rules for foreign currency liabilities made by the Finance Act 2004.

Regulation 1 provides for the citation and commencement of these Regulations.

Regulation 2 introduces the amendments which have effect in relation to accounting periods beginning on or after 1st January 2005.

Regulations 3 to 10 contain the amendments.

These Regulations do not impose any new costs on business.