

2006 No. 3238

CORPORATION TAX

The Loan Relationships and Derivative Contracts (Change of Accounting Practice) (Amendment) Regulations 2006

<i>Made</i>	- - - -	<i>6th December 2006</i>
<i>Laid before the House of Commons</i>		<i>6th December 2006</i>
<i>Coming into force</i>	- -	<i>27th December 2006</i>

The Treasury make the following Regulations in exercise of the powers conferred by section 85B(3) and (5) of, and paragraph 19B of Schedule 9 to, the Finance Act 1996^(a) and paragraph 17C of Schedule 26 to the Finance Act 2002^(b).

Citation and commencement

1. These Regulations may be cited as the Loan Relationships and Derivative Contracts (Change of Accounting Practice) (Amendment) Regulations 2006 and shall come into force on 27th December 2006.

Amendment to the Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004

2. Amend the Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004^(c) as follows.

3. For regulation 3 substitute—

“Prescribed debits and credits to be brought into account: general

3. Subject to regulation 3C, the debits and credits prescribed in regulation 4 shall be brought into account in accordance with regulations 3A and 3B in an accounting period of the company beginning on or after 1st January 2006.”.

4. In regulation 3B (prescribed debits and credits in relation to dormant accounts brought into account in the first accounting period beginning on or after 1st January 2007)^(d), in the heading and in paragraph (1) for “2007” substitute “2008”.

5.—(1) Amend regulation 3C (prescribed debits and credits not brought into account)^(e) as follows.

(a) 1996 c. 8; section 85B was inserted by paragraph 3 of Schedule 10 to the Finance Act 2004 (c.12) and paragraph 19B of Schedule 9 was inserted by paragraph 36 of Schedule 10 to the Finance Act 2004. Section 85B(3) was amended by paragraph 26(4) of Schedule 4 to the Finance Act 2005 (c. 7).

(b) 2002 c. 23; paragraph 17C of Schedule 26 was inserted by paragraph 50 of Schedule 10 to the Finance Act 2004.

(c) S.I. 2004/3271, amended by S.I. 2005/3383.

(d) Regulation 3B was inserted by regulations 2 and 5 of S.I. 2005/3383.

(e) Regulation 3C was inserted by regulations 2 and 5 of S.I. 2005/3383.

(2) In paragraph (2)—

(a) after sub-paragraph (a) insert—

“(aa) debits and credits in relation to a derivative contract to which a company is treated as party by section 94A(2)(b) of the Finance Act 1996 where section 93 of that Act (relationships linked to the value of chargeable assets)(a) applied to the debtor relationship in relation to that contract at the end of the company’s period of account immediately preceding the first period of account to begin on or after 1st January 2005;”;

(b) in sub-paragraph (d) at the end omit “and”;

(c) in sub-paragraph (e) at the end insert “; and”;

(d) at the end add—

“(f) debits and credits in relation to a loan relationship to which a company is treated as party by section 94A(2)(a) of the Finance Act 1996 where section 92A(4) of that Act (loan relationships with embedded derivatives)(b) applied to the debtor relationship in relation to that relationship at the end of the company’s period of account immediately preceding the first period of account to begin on or after 1st January 2005.”.

6. In regulation 4 (prescribed debits and credits), in paragraph (3), for the words following “date on which” substitute “the asset or liability falls to be fully discharged is within the same accounting period as that in which the debits or credits falling within this paragraph arise.”.

Claire Ward

Dave Watts

6th December 2006

Two of the Lords Commissioners of Her Majesty’s Treasury

(a) Section 93 was amended by sections 75 and 141 of, and Part 3(8) of Schedule 40 to the Finance Act 2002 and was repealed by sections 52 and 326 of, and paragraph 9 of Schedule 10 and Part 2(6) of Schedule 42 to, the Finance Act 2004 (c. 12).
(b) Section 92A was amended by sections 74 of the Finance Act 2002 and was repealed by sections 52 the Finance Act 2004.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004 (S.I. 2004/3271, as amended by S.I. 2005/3383; “the Principal Regulations”) which make provision for certain debits and credits not to be brought into account in the first accounting period beginning on or after 1st January 2005 but to be brought into account over a ten year period, in the first accounting period beginning on or after 1st January 2006, or not to be brought into account for any period.

Regulation 1 provides for citation, commencement and effect.

Regulation 2 introduces the amendments.

Regulation 3 amends regulation 3 of the Principal Regulations to provide that prescribed debits and credits are brought into account in an accounting period commencing on or after 1st January 2006.

Regulation 4 amends regulation 3B (prescribed debits and credits in relation to dormant accounts brought into account in the first accounting period beginning on or after 1st January 2007) of the Principal Regulations so that debits and credits in relation to dormant account transition amounts will not be brought into account until the first accounting period beginning on or after 1st January 2008.

Regulation 5 amends regulation 3C of the Principal Regulations so that debits and credits in relation to—

(1) a derivative contract where section 93 (relationships linked to the value of chargeable assets) of the Finance Act 1996 (c.8) applied immediately preceding the first accounting period of a company to begin on or after 1st January 2005 to the loan relationship relating to that contract, or

(2) a loan relationship to which 92A(4) of that Act (loan relationships with embedded derivatives) applied immediately preceding the first accounting period of a company to begin on or after 1st January 2005,

are not brought into account.

Regulation 6 amends regulation 4(3) of the Principal Regulations which provides that certain debits and credits are not prescribed for the purpose of the Regulations.

These Regulations impose no new costs on business.

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