

**2006 No. 936**

**CORPORATION TAX**

**The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) (Amendment) Regulations 2006**

<i>Made</i>	- - - -	<i>28th March 2006</i>
<i>Laid before the House of Commons</i>		<i>28th March 2006</i>
<i>Coming into force</i>	- -	<i>29th March 2006</i>

The Treasury make the following Regulations in exercise of the powers conferred by paragraphs 17C(1) and 54(2A) of Schedule 26 to the Finance Act 2002(a).

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) (Amendment) Regulations 2006, and shall come into force on 29th March 2006.

(2) These Regulations have effect—

(a) in relation to accounting periods ending on or after 22nd March 2006 in the case of accounting periods beginning on or after 1st January 2006, and

(b) in relation to accounting periods ending on or after 29th March 2006 in any other case.

(3) But these Regulations do not have effect where a company ceased to be party to a loan relationship or derivative contract before 29th March 2006.

**Amendment of earlier Regulations**

2. In the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2006(b), for regulation 5 there shall be substituted—

**“Disallowance of certain losses arising on derivative contracts**

5.—(1) This regulation applies if there is an arrangement where conditions A to D are met.

(2) Condition A is that a company is party to two or more derivative contracts under the arrangement to hedge a currency risk.

(3) Condition B is that those derivative contracts are intended, when taken together, to act as a hedge of that currency risk.

---

(a) 2002 c. 23. In Schedule 26, paragraph 17C was inserted by paragraph 50 of Schedule 10 to the Finance Act 2004 (c. 12), and paragraph 54(2A) was inserted by paragraph 11 of Schedule 6 to the Finance (No. 2) Act 2005 (c. 22).  
(b) S.I. 2006/843.

- (4) Condition C is that the arrangements are such that—
- (a) if a profit arises on at least one of those derivative contracts, that profit would fall within paragraph 16(3) of Schedule 26 to the Finance Act 2002(a), and
  - (b) if a loss arises on at least one of those derivative contracts, that loss would not fall within paragraph 16(3) of Schedule 26 to the Finance Act 2002.
- (5) Condition D is that a loss to which paragraph (4)(b) applies arises under a derivative contract which is an option.
- (6) The amount of the loss arising on the derivative contract mentioned in paragraph (5) is not to be recognised in determining the company's profit or loss for any period."

*Gillian Merron  
Dave Watts*

28th March 2006

Two of the Lords Commissioners of Her Majesty's Treasury

### **EXPLANATORY NOTE**

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

These Regulations correct a drafting error in the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2006 (S.I. 2006/843), and provide for a new regulation 5 to be substituted. Regulation 5 provides that the amount of a loss arising on certain derivative contracts is not to be recognised in determining a company's profit or loss for any period.

Authority for the retrospective effect of these Regulations is conferred by paragraph 54(2A) of Schedule 26 to the Finance Act 2002 (c. 23).

These Regulations impose no new costs on business.

---

(a) Paragraph 16(3) of Schedule 26 was substituted by paragraph 48(2) of Schedule 10 to the Finance Act 2004.

**£3.00**

© Crown copyright 2006

Printed and published in the UK by The Stationery Office Limited  
under the authority and superintendence of Carol Tullo, Controller of Her Majesty's  
Stationery Office and Queen's Printer of Acts of Parliament.

E0498 3/2006 160498T 19585