
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004 (“the 2004 Regulations”) and allow certain debits and credits from currency derivative contracts to be left out of account and, in certain circumstances, to be brought back into account.

Regulation 1 provides for citation, commencement and effect. Section 598(6) of the Corporation Tax Act 2009 provides authority for these Regulations to have effect in relation to accounting periods beginning before the date on which the Regulations are made, but not earlier than the beginning of the calendar year in which they are made.

Regulation 2 provides for interpretation.

Regulation 3 introduces the amendments to the 2004 Regulations.

Regulation 4 amends regulation 6 to insert references to the new regulation 7A at the appropriate places.

Regulation 5 inserts a new regulation 7A, which excludes exchange gains and losses arising from currency derivative contracts which are used for hedging the anticipated or future proceeds from announced or proposed rights issues or open offers of shares from an accounting period for the purposes of section 597 of the Corporation Tax Act 2009.

Regulation 6 inserts a new regulation 10A, which makes provision for the gains excluded by the new regulation 7A to be brought into account.

Regulation 7 inserts a new regulation 13, which makes transitional provision for the losses excluded by regulation 7A to be brought into account. The provision applies in relation to derivative contracts which are made on or after 1st January 2009 and which performed a hedging function up to and including 10th March 2009.

An Impact Assessment has not been produced for this instrument as it has a negligible impact on business, charities or voluntary bodies.