

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 7: Derivative contracts

Overview

Chapter 7: Chargeable gains arising in relation to derivative contracts

Overview

Section 639: Overview of Chapter

1759. This section gives an overview of the contents of the Chapter. It is new.
1760. [Sections 640](#) and [651](#) switch off respectively section 574 and both that section and section 573, under which credits and debits are brought into account as income, so that the credits and debits in question may be used instead to give rise to chargeable gains or allowable losses.
1761. [Section 641](#) (to which there are exceptions in section 642) brings credits and debits on four types of derivative contract into account as chargeable gains or allowable losses. The four types are:
- derivative contracts relating to land and certain tangible movable property (section 643, with a supplementary rule in section 644);
 - embedded derivatives in a creditor relationship that are options (section 645, to which there are exceptions in section 646);
 - embedded derivatives in a creditor relationship that are exactly tracking contracts for differences (section 648); and
 - property based total return swaps (section 650).
1762. The remaining provisions of the Chapter (other than various interpretative sections) provide bespoke chargeable gains rules for a number of cases:
- embedded derivatives in a debtor relationship that are options (the affected derivative contract is defined in section 652 and the rules that apply are set out in sections 653 to 655); and
 - embedded derivatives in a debtor relationship that are contracts for differences (the affected derivative contract is defined in section 656 and the rules that apply are set out in section 658).
1763. Chapter 8 contains further rules for a miscellany of situations in which chargeable gains rules are applied or modified.