

*These notes refer to the Finance (No. 2) Act 2010
(c.31) which received Royal Assent on 27 July 2010*

FINANCE (NO. 2) ACT 2010

EXPLANATORY NOTES

Section 8 Schedule 5: Amounts Not Fully Recognised for Accounting Purposes

Summary

1. **Section 8** introduces Schedule 5, which amends the corporation tax rules on loan relationships and derivative contracts that apply to amounts that are not fully recognised for accounting purposes. Where a company ‘derecognises’ a loan or derivative (and its associated cash flows) in accordance with generally accepted accounting practice (GAAP), in specified circumstances amounts are brought into account for tax purposes as if the accounts had in fact recognised them. The Schedule amends these rules to extend the circumstances in which ‘derecognition’ is overridden for tax purposes.