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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Paragraph 95. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 7

#### LOAN RELATIONSHIPS AND DERIVATIVE CONTRACTS

##### PART 2

###### DERIVATIVE CONTRACTS: AMENDMENTS OF PART 7 OF CTA 2009

95 For section 702 substitute—

**“702 Tax-adjusted carrying value”**

- (1) This section applies for the purposes of this Part.
- (2) “Tax-adjusted carrying value”, in relation to a contract, means the carrying value of the contract recognised for accounting purposes, except as provided by subsection (7).
- (3) For the purposes of this section the “carrying value” of the contract includes amounts recognised for accounting purposes in relation to the contract in respect of—
  - (a) accrued amounts,
  - (b) amounts paid or received in advance, or
  - (c) impairment losses (including provisions for bad or doubtful debts).
- (4) In determining the tax-adjusted carrying value of a contract in a period of account of a company, it is to be assumed that the accounting policy applied in drawing up the company's accounts for the period was also applied in previous periods of account.
- (5) But if the company's accounts for the period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous periods of account which differs from that mentioned in subsection (4), that different assumption applies in determining the tax-adjusted carrying value of the contract in the period.
- (6) In determining the tax-adjusted carrying value of a contract at a time other than the end (or beginning) of a period of account of a company, it is to be assumed that a period of account of the company had ended at the time in question.
- (7) In determining the profits and losses to be recognised in determining the tax-adjusted carrying value of the contract, the provisions specified in subsection (8) apply as they apply for the purposes of determining the credits and debits to be brought into account in accordance with this Part.
- (8) Those provisions are—

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- (a) section 584 (hybrid derivatives with embedded derivatives),
  - (b) section 585 (loan relationships with embedded derivatives),
  - (c) section 586 (other contracts with embedded derivatives),
  - (d) section 597 (amounts recognised in determining profit or loss),
  - (e) sections 599A and 599B (amounts not fully recognised for accounting purposes),
  - (f) section 604A (amounts recognised in other comprehensive income and not transferred to profit and loss),
  - (g) Chapter 5 (transactions within groups),
  - (h) Chapter 9 (European cross-border transfers of business), and
  - (i) Chapter 10 (European cross-border mergers).
- (9) In this section “impairment loss” means a debit in respect of the impairment of a financial asset and “impairment” includes uncollectability.”

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