SCHEDULES

SCHEDULE 7

LOAN RELATIONSHIPS AND DERIVATIVE CONTRACTS

PART 6

COMMENCEMENT AND TRANSITIONAL PROVISIONS

Transitional adjustments relating to loan relationships

115 (1) This paragraph applies to a loan relationship of a company if—

(a) amounts relating to the matters mentioned in section 306A(1) of CTA 2009 (as inserted by paragraph 3) in respect of the loan relationship have in accordance with generally accepted accounting practice been recognised in the company's accounts as items of other comprehensive income,

(b) those amounts have not subsequently been transferred to become items of profit or loss in an accounting period beginning before 1 January 2016, and

(c) those amounts have been brought into account for corporation tax purposes in an accounting period beginning before 1 January 2016.

(2) There is to be made an overall transitional adjustment of such amount as is just and reasonable in the circumstances having regard to the amounts which would otherwise be brought into account twice by the company for those purposes as credits or debits.

(3) The overall transitional adjustment must be made by making transitional adjustments in accordance with paragraph 116.

(4) In determining what amounts fall within sub-paragraph (1), it is to be assumed that the accounting policy applied in drawing up the company's accounts for the last accounting period of the company beginning before 1 January 2016 ("the pre-commencement period") was also applied in previous accounting periods.

(5) But if the company's accounts for the pre-commencement period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous accounting periods which differs from that mentioned in sub-paragraph (4), that different assumption applies in determining what amounts fall within sub-paragraph (1).

116 (1) If paragraph 115 applies in relation to a loan relationship of a company, then for each relevant accounting period a credit or debit of an amount equal to the transitional adjustment for the period must be brought into account for the purposes of Part 5 of CTA 2009 in the same way as a credit or debit which is brought into account in determining the company's profit or loss for the period in accordance with generally accepted accounting practice.

(2) The relevant accounting periods are—

(a) the first accounting period of the company beginning on or after 1 January 2016, and

(b) each subsequent accounting period all or part of which falls within the transitional years.

(3) The transitional years are the 5 years beginning with the first day of the first accounting period of the company beginning on or after 1 January 2016.

(4) The transitional adjustment for each relevant accounting period is calculated as follows.

(5) Allocate a percentage of the overall transitional adjustment (determined under paragraph 115) to each of the 5 transitional years as follows—

1st year	40%
2nd year	25%
3rd year	15%
4th year	10%
5th year	10%

(6) If a transitional year coincides with an accounting period, the transitional adjustment for the accounting period is the amount allocated to that year.

(7) In any other case—

(a) apportion the amount allocated to each transitional year between accounting periods according to the number of days in the transitional year which fall within each period, and

(b) the transitional adjustment for an accounting period is the total of the amounts apportioned to that period.

117 Paragraphs 115 and 116 do not require an amount to be brought into account if it has already been brought into account under regulations under—

(a) section 151E of TCGA 1992 (exchange gains and losses from loan relationships: regulations), or

(b) section 328 of CTA 2009 (exchange gains and losses).

118 (1) This paragraph applies if either of the following provisions of CTA 2009 applies in relation to the first accounting period of a company beginning on or after 1 January 2016—

(a) section 316 (change of accounting policy involving change of value), as substituted by paragraph 10, and

(b) section 318 (change of accounting policy following cessation of loan relationship), as amended by paragraph 12.

(2) The overall transitional adjustment required by paragraphs 115 and 116 is to be calculated and applied before calculating any credit or debit required by section 316 or 318 of CTA 2009.

119 (1) This paragraph applies if—

(a) an overall transitional adjustment is required by paragraph 115 in respect of a loan relationship of a company, and

(b) before the end of the 5 years mentioned in paragraph 116(3), the company—

(i) ceases to be within the charge to corporation tax, or

(ii) starts to be wound up.

(2) The company must bring into account for the purposes of Part 5 of CTA 2009 in the accounting period ending with the event within sub-paragraph (1)(b) a credit or debit of an amount equal to so much of the overall transitional adjustment as has not previously been brought into account.

(3) For the purposes of this paragraph a company starts to be wound up—

(a) when the company passes a resolution for the winding up of the company,

(b) when a petition for the winding up of the company is presented, if the company has not already passed such a resolution and a winding up order is made on the petition, or

(c) when an act is done in relation to the company for a similar purpose, if the winding up is not under the Insolvency Act 1986.