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STATUTORY INSTRUMENTS

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**1994 No. 3226**

**The Exchange Gains and Losses  
(Transitional Provisions) Regulations 1994**

**PART I**

**INTRODUCTORY PROVISIONS**

**Citation, commencement and interpretation**

**1.—(1)** These Regulations may be cited as the Exchange Gains and Losses (Transitional Provisions) Regulations 1994.

(2) These Regulations shall come into force on 23rd March 1995.

(3) In these Regulations, subject to any contrary intention—

- (a) “the 1992 Act” means the Taxation of Chargeable Gains Act 1992(1);
- (b) “the 1993 Act” means the Finance Act 1993;
- (c) any reference to Chapter II is a reference to Chapter II of Part II of the 1993 Act;
- (d) any reference to a particular section is a reference to that section of that Act;
- (e) any reference to an exchange gain or loss is a reference to an exchange gain or loss of a trade or part of a trade or a non—trading exchange gain or loss;
- (f) any reference to an exchange difference is a reference to any gain or loss which is attributable to fluctuations in currency exchange rates;
- (g) “a regulation 6(3) asset” means an existing asset the basic valuation of which is determined in accordance with regulation 6(3); and
- (h) “the regulation 2(2) provisions” means the provisions specified in regulation 2(2).

(4) In determining for the purposes of these Regulations whether any gain or loss or other amount has or has not been taken into account for the purposes of corporation tax in computing a company’s profits and gains (or the profits and gains of a trade) for an accounting period, or would have been or would not have been so taken into account if the company had been within the charge to corporation tax at the time the gain or loss accrued, there shall be disregarded, subject to any contrary intention, any insufficiency of profits or gains for that period.

(5) In computing the chargeable profits for an accounting period of a controlled foreign company as respects which—

- (a) a direction under section 747 of the Income and Corporation Taxes Act 1988(2) has been given for the company’s accounting period which includes the day preceding the day on which these Regulations come into force, or

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(1) 1992 c. 12.  
(2) 1988 c. 1.

- (b) it can reasonably be assumed that such a direction would have been given for that accounting period but for the fact that the company pursues, within the meaning of Part I of Schedule 25 to that Act<sup>(3)</sup>, an acceptable distribution policy,

it shall be assumed for the purposes of these Regulations (if it would not otherwise be so assumed) that the company is resident in the United Kingdom for the period as respects which the computation is being made for any other period (whether earlier or later than the period referred to in paragraph (a) or (b) above), and any gain or loss or other amount which is, or has been, taken into account in computing the company's chargeable profits for any period (or which would have been so taken into account if such a computation had been made) shall be treated for those purposes as being, or having been, taken into account for the purposes of corporation tax in computing the company's profits and gains for that period.

### **Interaction with other Exchange Gains and Losses provisions**

2.—(1) Subject to any provision to the contrary, in any case where a calculation falls to be made in relation to an existing asset, liability or contract in accordance with any of these Regulations and at the same time or in relation to the same event a calculation also falls to be made in relation to that asset, liability or contract in accordance with any of the provisions specified in paragraph (2) below, then the calculation to be made in accordance with these Regulations shall be made first and shall have effect for the purposes of the calculation falling to be made in accordance with any of those provisions.

- (2) The provisions referred to above are the following—

Sections 136, 137 and 139 to 141 of the 1993 Act;

The Exchange Gains and Losses (Alternative Method of Calculation of Gain or Loss) Regulations 1994<sup>(4)</sup>;

The Exchange Gains and Losses (Deferral of Gains and Losses) Regulations 1994<sup>(5)</sup>.

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(3) Part I of Schedule 25 was amended by section 67 of the Finance Act 1990 (c. 29) and by section 134 of the Finance Act 1994 (c. 9).

(4) S.I.1994/3227.

(5) S.I. 1994/3228.