
STATUTORY INSTRUMENTS

1994 No. 3226

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

PART II

MISCELLANEOUS TRANSITIONAL PROVISIONS

Basic valuation

6.—(1) Subject to paragraph (2) below, for the purposes of determining the basic valuation of an existing asset or liability held or owed by a company, other than an asset to which paragraph (3) below applies or a debt to which paragraph (6) below applies, section 159 shall have effect—

- (a) with the substitution in subsection (1)(a) for “after the company becomes entitled or subject to it” of “before the company’s commencement day”; and
- (b) with the omission of subsections (3) to (12).

(2) Paragraph (1) above shall not apply in relation to any company which elects that section 159 should apply in relation to all qualifying assets which are either debts on a security or shares held by the company and which apart from the election would fall within that paragraph, and an election under this paragraph—

- (a) shall be made by notice to the inspector before the expiry of the period of 92 days beginning with the company’s commencement day or, if later, the expiry of the period of 183 days beginning with 23rd March 1995, and
- (b) shall have effect as from the beginning of the company’s commencement day and shall be irrevocable,

but in the application of section 159 in relation to any asset by virtue of an election under this paragraph, section 165(2) shall be disregarded.

(3) In the case of any existing asset held by a qualifying company a disposal of which in the open market by that company immediately before its commencement day at the asset’s market value at that time would have given rise to a chargeable gain or allowable loss—

- (a) section 159 shall not apply, but
- (b) the basic valuation of the asset shall be taken to be equal to its market value immediately before the company’s commencement day,

and for the purposes of this paragraph the market value shall be computed in accordance with the provisions of the 1992 Act but in the nominal currency of the asset.

(4) For the purposes of determining under paragraph (3) above whether a gain or a loss would have accrued on any disposal (but not for the purposes of computing the basic valuation or for any other purpose)—

- (a) it shall be assumed that the disposal was not in such circumstances that by virtue of any provision of the 1992 Act neither a gain nor a loss would accrue on the disposal, and

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- (b) if the market value is such that neither a gain nor a loss would accrue on the disposal, the market value shall be increased by £100.
 - (5) Any expression used in paragraph (3) or (4) which is not defined in Chapter II shall have the same meaning as in the 1992 Act.
 - (6) Paragraph (1) above does not apply in relation to—
 - (a) a debt on a deep gain security for the purposes of paragraph 1 of Schedule 11 to the Finance Act 1989, or
 - (b) a debt on a qualifying indexed security for the purposes of that paragraph, or
 - (c) a debt on a deep discount security for the purposes of paragraph 1 of Schedule 4 to the Income and Corporation Taxes Act 1988;
- but in the application of section 159 in relation to any such debt, section 165(2) shall be disregarded.