
STATUTORY INSTRUMENTS

2004 No. 3256

**The Loan Relationships and Derivative
Contracts (Disregard and Bringing into Account
of Profits and Losses) Regulations 2004**

Rule 3

Subject to Rules 1 and 2, liabilities are regarded as matched with assets on a disposal of which no chargeable gain would be treated as accruing by virtue of Part 1 of Schedule 7AC to the Taxation of Chargeable Gains Act 1992⁽¹⁾ if the disposal were made on a date falling more than twelve months after the date of the acquisition of the asset.

(2) If—

- (a) part only of a liability falling within the third condition in regulation 3, or
- (b) part only of a contract falling within the third condition in regulation 4,

could reasonably be expected to eliminate or substantially reduce the economic risk of holding the asset which is attributable to fluctuations in exchange rates, the liability or contract is to be treated as being matched with a corresponding amount of value of an asset.

(3) For the purposes of paragraph (1), a currency in which a liability is expressed or which is the underlying subject matter of a derivative contract, is to be treated, if it is not the case, as the same currency in which an asset is denominated if—

- (a) borrowing in that currency, or
- (b) the obligation to deliver that currency,

could reasonably be expected to eliminate or substantially reduce the economic risk of holding the asset, or part of the asset, which is attributable to fluctuations in exchange rates.

(4) Where regulation 3 or section 84A(3) of the Finance Act 1996 applies to a company in an accounting period in relation to a liability representing a loan relationship there is prescribed, for the purposes of regulation 3 or section 84A(3A) of that Act, an exchange gain or loss treated by virtue of paragraph 6D(2) of Schedule 28AA to the Taxes Act 1988⁽²⁾ as arising in that accounting period to another company in relation to the same loan relationship.

⁽¹⁾ 1992 c. 12. Part 1 was inserted by paragraph 1 of Part 1 of Schedule 8 to the Finance Act 2002.

⁽²⁾ 1988 c. 1. Schedule 28AA was inserted by Schedule 16 to the Finance Act 1998 (c. 36). Paragraph 6D was inserted by section 35(2) of the 2004 Act.

Changes to legislation:

There are outstanding changes not yet made by the legislation.gov.uk editorial team to The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004. Any changes that have already been made by the team appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:

Whole provisions yet to be inserted into this Instrument (including any effects on those provisions):

- reg. 2(3A) inserted by [S.I. 2011/2912](#) reg. 3
- reg. 3(1A) omitted by [S.I. 2014/3188](#) reg. 3
- reg. 3(1ZA) inserted by [S.I. 2011/2912](#) reg. 4(1)
- reg. 3(5) words substituted by [S.I. 2013/2781](#) reg. 2(3)
- reg. 3(5) words substituted by [S.I. 2014/3188](#) reg. 8(3)
- reg. 3(5)(c) words substituted by [2019 c. 1 Sch. 20 para. 9\(3\)](#)
- reg. 3(5)(c) words substituted by [S.I. 2013/3209](#) reg. 10(3)
- reg. 4(1A) inserted by [S.I. 2011/2912](#) reg. 5(1)
- reg. 4(4A) words substituted by [S.I. 2013/2781](#) reg. 2(3)
- reg. 4(4A) words substituted by [S.I. 2014/3188](#) reg. 8(5)
- reg. 4(4A)(c) words substituted by [2019 c. 1 Sch. 20 para. 9\(4\)](#)
- reg. 4(4A)(c) words substituted by [S.I. 2013/3209](#) reg. 10(3)
- reg. 4(4C) inserted by [S.I. 2022/239](#) reg. 2(3)
- reg. 4A added by [S.I. 2005/3374](#) regs 26
- reg. 4A(7)-(7C) substituted for reg. 4A(7) by [S.I. 2014/3188](#) reg. 4(2)
- reg. 4A(7) words inserted by [S.I. 2011/698](#) reg. 5(2)
- reg. 4A(8)-(8B) omitted by [S.I. 2014/3188](#) reg. 4(3)
- reg. 4A(8A)(8B) inserted by [S.I. 2011/698](#) reg. 5(3)
- reg. 4A(9) second reg. 4A(6) renumbered as reg. 4A(9) by [S.I. 2011/698](#) reg. 5(4)
- reg. 4A(9) words substituted by [S.I. 2014/3188](#) reg. 8(6)
- reg. 4C substituted by [S.I. 2011/698](#) reg. 6
- reg. 4C(1) words substituted by [S.I. 2014/3188](#) reg. 5
- reg. 5(4) words substituted by [S.I. 2014/3188](#) reg. 8(7)(a)
- reg. 5(4) words substituted by [S.I. 2014/3188](#) reg. 8(7)(b)
- reg. 5(4) words substituted by [S.I. 2014/3188](#) reg. 8(7)(c)
- reg. 5A inserted by [S.I. 2015/1961](#) reg. 4
- reg. 5ZA inserted by [S.I. 2022/239](#) reg. 2(4)
- reg. 6-6B substituted for reg. 6 by [S.I. 2014/3188](#) reg. 6
- reg. 6(5A)(a) word omitted by [S.I. 2013/3209](#) reg. 10(4)(a)
- reg. 6(5A)(c) and word inserted by [S.I. 2013/3209](#) reg. 10(4)(b)
- reg. 6(5C)(a) word omitted by [S.I. 2013/3209](#) reg. 10(4)(a)
- reg. 6(5C)(c) and word inserted by [S.I. 2013/3209](#) reg. 10(4)(b)
- reg. 6A(3)(b) words substituted by [S.I. 2015/1961](#) reg. 5(a)
- reg. 6A(4)(b) words substituted by [S.I. 2015/1961](#) reg. 5(b)
- reg. 6A(5)(a) words substituted by [S.I. 2015/1961](#) reg. 5(c)(i)
- reg. 6A(5)(b) words inserted by [2020 c. 14 Sch. 6 para. 8\(a\)](#)
- reg. 6A(5)(b) words substituted by [S.I. 2015/1961](#) reg. 5(c)(ii)
- reg. 6A(6) inserted by [2020 c. 14 Sch. 6 para. 8\(b\)](#)
- reg. 6B-6D substituted for reg. 6B by [S.I. 2015/1961](#) reg. 6
- reg. 7(4) omitted by [S.I. 2015/1961](#) reg. 7(a)
- reg. 7(4) words substituted by [S.I. 2014/3188](#) reg. 8(10)
- reg. 7(5) inserted by [S.I. 2015/1961](#) reg. 7(b)
- reg. 7(5) words inserted by [S.I. 2022/239](#) reg. 2(5)(a)
- reg. 7(5) words substituted by [S.I. 2022/239](#) reg. 2(5)(b)
- reg. 7A added (with transl provns) by [S.I. 2009/1886](#) regs 357
- reg. 7A(7A) inserted by [S.I. 2022/239](#) reg. 2(6)

- reg. 9(2A) words inserted by S.I. 2015/1961 reg. 8(a)
- reg. 9(2A) words substituted by S.I. 2014/3188 reg. 8(11)
- reg 9A added by S.I. 2005/3374 regs 210
- reg 9A am by S.I. 2006/3236 reg 5
- reg. 9A cross-heading inserted by S.I. 2014/3188 reg. 7(1)
- reg. 9A omitted by S.I. 2015/1961 reg. 9
- reg. 9A(1) words substituted by S.I. 2014/3188 reg. 8(8)(d)
- reg. 9A(1)(c) substituted by S.I. 2014/3188 reg. 7(2)(a)
- reg. 9A(2) words substituted by S.I. 2014/3188 reg. 8(8)(d)
- reg. 9A(3) words substituted by S.I. 2014/3188 reg. 8(8)(d)
- reg. 9A(3A) substituted by S.I. 2014/3188 reg. 7(2)(b)
- reg. 10(3C) words substituted by S.I. 2014/3188 reg. 8(14)
- reg 10A added by S.I. 2009/1886 regs 36
- regs 1112 added by S.I. 2005/2012 regs 211
- reg 11 am by S.I. 2006/3236 reg 6
- reg. 11(1) words substituted by S.I. 2014/3188 reg. 8(17)(a)
- reg. 11(1A) words substituted by S.I. 2014/3188 reg. 8(17)(a)
- reg. 11(4) words substituted by S.I. 2014/3188 reg. 8(18)
- reg 12 am by S.I. 2006/3236 reg 7
- reg. 12(1) words substituted by S.I. 2014/3188 reg. 8(17)(b)
- reg. 12(1A) words substituted by S.I. 2014/3188 reg. 8(17)(b)
- reg. 12(3) words substituted by S.I. 2014/3188 reg. 8(18)
- reg. 12A inserted by S.I. 2014/3325 reg. 3(2)
- reg 13 added by S.I. 2009/1886 regs 37