
STATUTORY INSTRUMENTS

2004 No. 3256

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

Bringing fair value profits or losses into account on currency and commodity contracts

- 10.**—(1) For the purposes of paragraph 17C(1)(c) of Schedule 26 to the Finance Act 2002—
- (a) there is prescribed the aggregate of the credits and debits representing any fair value profits or losses excluded in relation to a derivative contract of a company by virtue of regulation 7(1) or regulation 8(1); and
 - (b) the amount of that aggregate is brought into account for the period in which a termination event occurs.

This is subject to paragraphs (3), (5), (7) and (8).

- (2) In paragraph (1) a “termination event” occurs—

- (a) on the company ceasing to be a party to the contract; or
- (b) if earlier, when the hedged item begins to affect the company’s profit or loss.

(3) If the forecast transaction or firm commitment which is the hedged item mentioned in regulation 7 or regulation 8 is a forecast transaction of, or a firm commitment to a purchase of, anything the expenditure in relation to which—

- (a) falls to be taken into account in computing the profits of a trade or property business carried on by the company, or
- (b) would fall to be deducted but for any provision of the Corporation Tax Acts prohibiting the deduction of capital expenditure in respect of depreciation of an asset,

then the aggregate mentioned in paragraph (1)(a) in relation to the contract is to be brought into account in the accounting period in which the expenditure falls or would fall to be deducted.

(4) In paragraph (3) “property business” has the meaning given in paragraph 32(2) of Schedule 29 to the Finance Act 2002(1) (gains and losses of a company from intangible fixed assets).

- (5) Where—

- (a) part of a contract to which this regulation applies terminates without the company ceasing to be a party to the contract, or
- (b) part only of the hedged item begins to be recognised in determining the company’s profit and loss,

paragraph (1)(b) is to apply to a proportionate amount of the aggregate.

(6) In paragraph (5) “proportionate amount” means that proportion of the relevant aggregate amount which is—

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- (a) in a case where it is part of the contract which matures, the amount to which the fair value of the part of the contract maturing bears to the fair value of the whole of the contract at that time, and
- (b) in any other case the proportion which the fair value of the hedged item on which exchange gains and losses begin to be recognised bears to the fair value of the whole of the hedged item at that time.

(7) Where immediately on ceasing to be a party to the contract (“the old contract”), the company enters into another contract (“the new contract”) which meets the conditions in regulation 7 or regulation 8 in relation to the same hedged item as was the hedged item in relation to the old contract—

- (a) paragraph (1)(b) shall not apply in relation to the old contract, and
- (b) the aggregate prescribed in paragraph (1)(a) in relation to the old contract shall be treated for the purposes of the application of this regulation to the new contract as included in the aggregate prescribed in relation to the new contract.

(8) Where as a result of the company (“the transferor company”) ceasing to be a party to the contract (“the old contract”)—

- (a) paragraph 28 of Schedule 26 to the Finance Act 2002 applies, and
- (b) the transferee company (within the meaning of paragraph 28 of that Schedule) meets the conditions in regulation 7 or regulation 8 in relation to the contract (“the new contract”) and the same hedged item as was the hedged item in relation to the old contract,

paragraph (9) applies.

(9) Where this paragraph applies—

- (a) paragraph (1)(b) shall not apply in relation to the old contract; and
- (b) the aggregate prescribed in paragraph (1)(a) in relation to the old contract shall be treated for the purposes of the application of this regulation to the new contract as included in the aggregate prescribed in relation to the new contract.

(10) For the purposes of paragraph 17C(1)(a) of Schedule 26 to the Finance Act 2002, there is also prescribed for any period any credits and debits which—

- (a) have for that or any previous period been brought into account in the statement of recognised gains and losses or statement of changes in equity (“equity statements”); or
- (b) represent fair value profits or losses which are transferred in that period from an equity statement—
 - (i) to the profit and loss account or income statement, or
 - (ii) directly to the carrying value of an asset or liability.

(11) Where credits and debits are prescribed by sub-paragraph (10) there is also prescribed, for the purposes of paragraph 17C(1)(a) of Schedule 26 to the Finance Act 2002, any debits and credits corresponding to the sub-paragraph (10) credits and debits which are brought into account in the profit and loss account or income statement when—

- (a) the hedged item is recognised; or
- (b) a forecast transaction is no longer expected to occur.

Commencement Information

II Reg. 10 in force at 1.1.2005, see [reg. 1\(1\)](#)

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Changes and effects yet to be applied to :

- reg 10 am by [S.I. 2005/2012 regs 210\(1\)10\(2\)\(a\)\(3\)–\(8\)](#)
- regs 10–12 am by [S.I. 2005/3374 regs 211–13](#)
- reg 10 rev in pt by [S.I. 2005/2012 regs 210\(1\)10\(2\)\(b\)](#)
- reg. 10(1) words substituted by [S.I. 2014/3188 reg. 8\(13\)](#)
- reg. 10(1) words substituted by [S.I. 2015/1961 reg. 10\(a\)](#)
- reg. 10(4) words substituted by [S.I. 2014/3188 reg. 8\(15\)](#)
- reg. 10(8) omitted by [S.I. 2015/1961 reg. 10\(c\)](#)
- reg. 10(8) words substituted by [S.I. 2014/3188 reg. 8\(16\)\(a\)](#)
- reg. 10(8) words substituted by [S.I. 2014/3188 reg. 8\(16\)\(b\)](#)
- reg. 10(9) substituted by [S.I. 2015/1961 reg. 10\(b\)](#)
- reg. 10(10) omitted by [S.I. 2015/1961 reg. 10\(c\)](#)
- reg. 10(10) words substituted by [S.I. 2014/3188 reg. 8\(8\)\(e\)](#)
- reg. 10(11) omitted by [S.I. 2015/1961 reg. 10\(c\)](#)
- reg. 10(11) words substituted by [S.I. 2014/3188 reg. 8\(8\)\(e\)](#)

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 transtl 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