
STATUTORY INSTRUMENTS

2004 No. 3256

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

Profits or losses arising from derivative contracts which are interest rate contracts

9.—(1) For the purposes of paragraph 17C(1)(a) of Schedule 26 to the Finance Act 2002 there is prescribed all credits and debits representing the whole or part of the fair value profit or loss arising to a company in relation to its interest rate contracts in an accounting period if—

- (a) there is a hedging relationship between the contract or a portion of the contract and any of the risks arising in respect of an asset, liability, receipt or expense (“the hedged item”); and
- (b) fair value profits or losses arising on the hedged item or in relation to any of the risks arising in respect of the hedged item, or any portion of the hedged item, are not brought into account for the purposes of corporation tax for that period.

(2) Where paragraph (1) applies, credits and debits shall be brought into account for the purposes of paragraph 17C(1)(b) of Schedule 26 to the Finance Act 2002 on the assumption that an appropriate accruals basis had been used in relation to the contract for that accounting period.

(3) Where paragraph 16(3) of Schedule 26 to the Finance Act 2002(1) or regulation 4 apply to a contract to which this regulation applies nothing in this regulation is to require any exchange gains or losses in relation to that contract to be brought into account.

(4) In this regulation—

“an appropriate accruals basis” in relation to a derivative contract is one where—

- (a) the contract is shown in the company’s accounts at cost (which may be nil), and the cost is adjusted for any cumulative amortisation of any premium or other amount falling to be recognised in arriving at the cost of the contract;
- (b) the aggregate of—
 - (i) the amount of periodical payments under the contract, or in the case of a swap contract under which only a single payment is to be made, the value of the payment and
 - (ii) the credits or debits representing interest arising, on the assumption that an effective interest method is used, in respect of the asset or liability representing a loan relationship which is the hedged item,

represent the credits or debits that would be given by generally accepted accounting practice in relation to an asset or liability representing a loan relationship whose terms include those of both the hedged item and the interest rate contract;

- (c) exchange gains and losses are recognised as a result of the translation of the contract at the balance-sheet date; and

(1) 2002 c. 23. Sub-paragraph (3) was substituted by subsequent sub-paragraphs (3) and (3A) by paragraph 48(2) of Part 2 of Schedule 10 to the 2004 Act.

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- (d) profits and losses which arise as a result of the contract coming to an end before its stated date of maturity are amortised and brought into account over the unexpired term of the hedged item.

“an interest rate contract” means—

- (i) a derivative contract whose underlying subject matter is, or includes, interest rates, or
- (ii) if not falling within paragraph (i), a swap contract in which payments fall to be made by reference to a rate of interest or to an index determined by reference to income or retail prices.

(5) 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”); and
- (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.

(6) Where credits and debits are prescribed by sub-paragraph (5) 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 (5) 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.

(7) This regulation does not apply to any contract to which paragraphs 6,7 or 8 of Schedule 26 to the Finance Act 2002(2) applies.

Commencement Information

II Reg. 9 in force at 1.1.2005, see [reg. 1\(1\)](#)

(2) Paragraphs 6, 7 and 8 of Schedule 26 were amended by articles 1 and, respectively, 8, 9 and 10 of [S.I. 2004/2201](#).

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Changes and effects yet to be applied to :

- reg 9 am by [S.I. 2006/3236 reg 4](#)
- reg. 9(1) words substituted by [S.I. 2014/3188 reg. 8\(8\)\(c\)](#)
- reg. 9(2) words substituted by [S.I. 2014/3188 reg. 8\(11\)](#)
- reg. 9(3) words substituted by [S.I. 2014/3188 reg. 8\(10\)](#)
- reg. 9(3) words substituted by [S.I. 2015/1961 reg. 8\(b\)](#)
- reg. 9(5)(6) omitted by [S.I. 2015/1961 reg. 8\(c\)](#)
- reg. 9(5) words substituted by [S.I. 2014/3188 reg. 8\(8\)\(c\)](#)
- reg. 9(6) words substituted by [S.I. 2014/3188 reg. 8\(8\)\(c\)](#)
- reg. 9(7) omitted by [S.I. 2014/3188 reg. 8\(12\)](#)

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