
STATUTORY INSTRUMENTS

2005 No. 3374

**The Loan Relationships and Derivative Contracts
(Disregard and Bringing into Account of Profits
and Losses) (Amendment No. 2) Regulations 2005**

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

- 7.—(1) Amend regulation 6 (rules about fair value profits and losses) as follows.
- (2) In paragraph (3)(a) and (4)(a) for “7(2)” substitute “7(1)”.
- (3) In paragraph (5)—
- (a) at the beginning insert “Subject to paragraph (5A)”; and
- (b) after “that regulation” insert “but that regulation 9A shall apply.”.
- (4) After paragraph (5) insert—
- “(5A) An election under paragraph (5) has no effect in relation to interest rate contracts—
- (a) where—
- (i) the contract or a portion of the contract (“the hedging instrument”) is designated as a hedge in respect of any risks arising in respect of an asset, liability, receipt or expense (“the hedged item”);
- (ii) 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; and
- (iii) fair value profits or losses arising on the hedging instrument are not recognised in the company’s statement of recognised gains and losses or statement of changes in equity;
- or
- (b) where the hedged item is a loan relationship to which section 87(1) of the Finance Act 1996 applies.”.
- (5) In paragraph (6) for the words from “before” to the end substitute—
- “before—
- (a) 1st October 2005 in the case of an election under paragraph (3), or
- (b) 31st March 2006 in the case of an election under paragraph (5),
- and has effect for that accounting period and all subsequent accounting periods unless, in the case of an election under paragraph (3), revoked.”.
- (6) In paragraph (6A) at the end add “This paragraph does not apply to cases within paragraph (7).”.
- (7) In paragraph (7) at the end insert “or, if later, 31st March 2006”.
- (8) In paragraphs (8) and (9) delete “or (5)”.

- (9) In paragraph (9) for “Inland Revenue” substitute “Her Majesty’s Revenue and Customs”.
- (10) After paragraph (9) insert—
 - “(9A) An election under paragraph (5) shall be made in writing to Her Majesty’s Revenue and Customs and is irrevocable.”.
- (11) In paragraph (12)(a) after the words in parenthesis insert “and paragraph 50A(3B) of that Schedule shall be modified in accordance with paragraph (12A)”.
- (12) After paragraph 12 insert—
 - “(12A) The modification to paragraph 50A(3B) of Schedule 26 to the Finance Act is as follows—
 - (a) in paragraph (a) delete “and”;
 - (b) after paragraph (b) insert—
 - “, and
 - (c) regulations 7, 8 and 9 of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004.”.