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SCHEDULES

SCHEDULE 7

LOAN RELATIONSHIPS AND DERIVATIVE CONTRACTS

Exchange gains and losses

- 5 In section 447 (exchange gains and losses on debtor relationships: loans disregarded under Part 4 of TIOPA 2010), after subsection (4) insert—
- “(4A) If the debtor relationship is to any extent matched, subsections (2) and (3) apply to leave out of account only the lesser of—
- (a) the amount of the exchange gain or loss (in the case of subsection (2)) or the proportion of the exchange gain or loss (in the case of subsection (3)) which would be left out of account apart from this subsection, and
 - (b) the amount of the exchange gain or loss arising in respect of a liability representing the debtor relationship to the extent that the debtor relationship is unmatched (an amount which may be nil).”
- 6 In section 448 (exchange gains and losses on debtor relationships: equity notes where holder associated with issuer), after subsection (2) insert—
- “(3) If the debtor relationship is to any extent matched, subsection (2) applies to leave out of account only the amount of the exchange gain or loss arising in respect of a liability representing the debtor relationship to the extent that the debtor relationship is unmatched (an amount which may be nil).”
- 7 In section 449 (exchange gains and losses on creditor relationships: no corresponding debtor relationship), after subsection (4) insert—
- “(4A) If the creditor relationship is to any extent matched, subsection (2) applies to leave out of account only the amount of the exchange gain or loss arising in respect of an asset representing the creditor relationship to the extent that the creditor relationship is unmatched (an amount which may be nil).”
- 8 In section 451 (exception to section 449 where loan exceeds arm's length amount), after subsection (4) insert—
- “(4A) If the creditor relationship is to any extent matched, subsections (3) and (4) apply to leave out of account only the lesser of—
- (a) the proportion of the exchange gain or loss which would be left out of account apart from this subsection, and
 - (b) the amount of the exchange gain or loss arising in respect of an asset representing the creditor relationship to the extent that the creditor relationship is unmatched (an amount which may be nil).”
- 9 (1) Section 452 (exchange gains and losses where loan not on arm's length terms) is amended as follows.

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(2) For subsection (3) substitute—

“(3) Subsections (4) and (5) apply if, because of a claim made under section 192(1) of TIOPA 2010, or because of the claim that is assumed to be made under subsection (2)—

- (a) one company is treated for any purpose as having a debtor relationship, or
- (b) more than one company is treated for any purpose as having a debtor relationship represented by the same liability.”

(3) In subsection (4)—

- (a) after “exchange gains” insert “ from that debtor relationship (in a subsection (3)(a) case) or ”;
- (b) after “those debtor relationships” insert “ (in a subsection (3)(b) case) ”;
- (c) for the words from “debits” to the end substitute “ exchange gains or the proportion of the exchange gains to be left out of account under section 447 by the issuing company in respect of the loan relationship ”.

(4) In subsection (5)—

- (a) after “exchange losses” insert “ from that debtor relationship (in a subsection (3)(a) case) or ”;
- (b) after “those debtor relationships” insert “ (in a subsection (3)(b) case) ”;
- (c) for the words from “credits” to the end substitute “ exchange losses or the proportion of the exchange losses to be left out of account under section 447 by the issuing company in respect of the loan relationship ”.

(5) After subsection (5) insert—

“(5A) In this section “issuing company” is to be construed in accordance with section 191(1)(a) of TIOPA 2010.”

10 After section 475A insert—

“Meaning of “matched”

475B Meaning of “matched”

- (1) This section applies for the purposes of this Part.
- (2) A loan relationship of a company is matched if and to the extent that—
 - (a) it is in a matching relationship with another loan relationship or a derivative contract of the company, or
 - (b) exchange gains or losses arising in relation to an asset or liability representing the loan relationship are excluded from being brought into account under regulations under section 328(4),
 and “unmatched” is to be construed accordingly.
- (3) A loan relationship is in a matching relationship with another loan relationship or derivative contract if one is intended by the company to act to eliminate or substantially reduce the economic risk of the other.
- (4) In this section “economic risk” means a risk which can be attributed to fluctuations in exchange rates between currencies over a period of time.

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- (5) In this section “derivative contract” has the same meaning as in Part 7 (see section 576).”
- 11 (1) Section 694 (derivative contracts: exchange gains and losses) is amended as follows.
- (2) After subsection (3) insert—
- “(3A) If the contract is to any extent matched, subsection (3) applies to leave out of account only the amount of the exchange gains or losses arising to the company in relation to the contract to the extent that the contract is unmatched (an amount which may be nil).”
- (3) After subsection (7) insert—
- “(7A) Subsections (5) to (7) apply only to the extent that the contract is unmatched.”
- (4) After subsection (10) insert—
- “(11) For the purposes of this section a derivative contract of a company is matched if and to the extent that—
- (a) it is in a matching relationship with another derivative contract or loan relationship of the company, or
 - (b) exchange gains or losses arising in relation to the derivative contract are excluded from being brought into account under regulations under section 606(4)(b),
- and “unmatched” is to be construed accordingly.
- (12) A derivative contract is in a matching relationship with another derivative contract or loan relationship if one is intended by the company to act to eliminate or substantially reduce the economic risk of the other.
- (13) In this section “economic risk” means a risk which can be attributed to fluctuations in exchange rates between currencies over a period of time.
- (14) In this section “loan relationship” has the same meaning as in Part 5 (see section 302).”

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

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

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)