
STATUTORY INSTRUMENTS

2005 No. 2012

**The Loan Relationships and Derivative Contracts
(Disregard and Bringing into Account of Profits
and Losses) (Amendment) Regulations 2005**

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

11. After regulation 10 insert—

“Profits and losses arising from loan relationships with embedded derivatives

11.—(1) For the purposes of section 85B(3) of the Finance Act 1996 (amounts recognised in determining company’s profits and loss)—

(a) the amounts described in paragraph (2) are prescribed in relation to a company which is a party to a creditor relationship to which—

(i) section 92 (convertible securities etc: creditor relationships) or 93 (relationships linked to the value of chargeable assets) of the Finance Act 1996(1) applies immediately before the start of the first accounting period of the company to begin on or after 1st January 2005, and

(ii) section 94A of the Finance Act 1996(2) (loan relationships with embedded derivatives) applies in the first accounting period of the company to begin on or after 1st January 2005; and

(b) the amounts described in paragraph (3) are prescribed in relation to a company which is a party to a creditor relationship to which section 92 or 93 of the Finance Act 1996 applies immediately before the start of the first accounting period of the company to begin on or after 1st January 2005.

(2) The prescribed amounts are all credits and debits in respect of the host contract save for—

(a) credits in relation to interest accruing in respect of the creditor relationship without regard to the amounts given by the effective interest method; and

(b) credits and debits in respect of exchange gains and losses.

(3) The prescribed amounts are all credits and debits save for—

(a) credits in relation to interest, and

(b) credits and debits in respect of exchange gains and losses.

(1) Section 92 was amended by section 65(7) and (8) of the Finance Act 1999 (c. 16), sections 72, 73(1), 79, 82 and 141 to, and Part 3(8) and (10) of Schedule 40 to the Finance Act 2002 (c. 23) and section 882(1) of, and paragraphs 485 and 486 of the Income Tax (Trading and Other Income) Act 2005 (c. 5). Section 93 was amended by sections 75 and 141 of, and Part 3(8) of Schedule 40 to the Finance Act 2002. Both sections were repealed by sections 52 and 326 of, and paragraph 9 of Schedule 10 and Part 2(6) of Schedule 42 to, the Finance Act 2004 (c. 12).

(2) Section 94A was inserted by section 52 of, and paragraph 13 of Schedule 10 to, the Finance Act 2004 and amended by section 80 of, and paragraph 28(1) and (2) of Schedule 4 to, the Finance Act 2005 (c. 7).

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

12.—(1) For the purposes of section 85B(3) of the Finance Act 1996 the amounts described in paragraph (2) are prescribed in relation to a company which is a party to a debtor relationship to which—

- (a) section 92A (convertible securities etc: debtor relationships)⁽³⁾ or 93 of the Finance Act 1996 applies immediately before the start of the first accounting period of the company to begin on or after 1st January 2005, and
- (b) section 94A of the Finance Act 1996 applies in the first accounting period of the company to begin on or after 1st January 2005.

(2) The prescribed amounts are all credits and debits in respect of the host contract save for—

- (a) debits in relation to interest accruing in respect of the debtor relationship without regard to the amounts given by the effective interest method; and
- (b) credits and debits in respect of exchange gains and losses.”.

(3) Section 92A was inserted by section 74 of the Finance Act 2002 and repealed by sections 52 and 326 of, and paragraph 10 of Schedule 10 and Part 2(6) of Schedule 42 to, the Finance Act 2004.