



# Corporation Tax Act 2009

## 2009 CHAPTER 4

### PART 7

#### DERIVATIVE CONTRACTS

#### CHAPTER 2

##### CONTRACTS TO WHICH THIS PART APPLIES

##### *Exclusions from derivative contracts*

#### **592 Embedded derivatives treated as meeting condition in section 591 etc**

- (1) This section applies if for an accounting period—
- (a) a company is a party to a hybrid derivative which meets the condition in section 579(1)(b) (contract which is or forms part of a financial asset or liability for accounting purposes),
  - (b) the embedded derivative is a relevant contract which meets the condition in section 579(1)(a) (contract treated for accounting purposes as derivative),
  - (c) the underlying subject matter of that contract consists, or is treated as consisting, wholly of—
    - (i) shares in a company, or
    - (ii) rights of a unit holder under a unit trust scheme, and
  - (d) the host contract is or forms part of a financial asset or liability for accounting purposes.
- (2) The embedded derivative is treated—
- (a) for the purposes of section 589 (contracts excluded because of underlying subject matter: general) as meeting one of the conditions in section 591, and
  - (b) as a chargeable asset.

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**Changes to legislation:** Corporation Tax Act 2009, Section 592 is up to date with all changes known to be in force on or before 25 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

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- (3) The host contract is treated for the purposes of the Corporation Tax Acts as if it were a creditor relationship of the company (see Part 5 (loan relationships)).
- (4) Section 590 (disregard of subordinate or small value underlying subject matter) applies for the purpose of determining whether the underlying subject matter is to be treated as consisting wholly of property mentioned in subsection (1)(c) as that section so applies in relation to excluded property.
- (5) In this section—
  - “the embedded derivative” means the relevant contract to which the company is treated as a party under section 584(2)(a) because of the hybrid derivative mentioned in subsection (1)(a), and
  - “the host contract” means the relevant contract to which the company is treated as a party under section 584(2)(b) because of that hybrid derivative.

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

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

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

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)