SCHEDULES

SCHEDULE 7

LOAN RELATIONSHIPS AND DERIVATIVE CONTRACTS

PART 6

COMMENCEMENT AND TRANSITIONAL PROVISIONS

Introductory

102 This Part of this Schedule contains provision about the coming into force of the amendments in Parts 1 to 5 of this Schedule.

Commencement: the general rule

103 The general rule is that the amendments made by Parts 1 to 4 of this Schedule have effect in relation to accounting periods beginning on or after 1 January 2016.

104 This general rule—
(a) does not apply in relation to the provisions dealt with by paragraphs 106 to 114, and
(b) has effect subject to the transitional provisions in paragraphs 115 to 129.

105 Part 5 of this Schedule comes into force on the day on which this Act is passed.

Commencement: sections 321, 349 and 605 of CTA 2009

106 (1) Paragraphs 15 and 28 have effect in relation to loan relationships entered into by a company in an accounting period beginning on or after 1 January 2016.

(2) Paragraph 67 has effect in relation to derivative contracts entered into by a company in an accounting period beginning on or after 1 January 2016.

(3) In relation to loan relationships entered into by a company in an accounting period beginning before 1 January 2016, sub-paragraphs (4) to (6) apply in relation to accounting periods beginning on or after that date.

(4) The reference in section 321(1)(b) of CTA 2009 to recognition in any of the statements mentioned in section 308(1) of that Act is to be read in relation to the company as a reference to recognition in the company's accounts for the period as an item of profit or loss or as an item of other comprehensive income.

(5) But section 321 does not bring into account for the purposes of Part 5 of CTA 2009 any exchange gain or loss of the company so far as it is recognised in the company's statement of total recognised gains and losses, statement of recognised income and expense, statement of changes in equity or statement of income and retained earnings.

(6) The reference in section 349 of CTA 2009 to an amortised cost basis of accounting is to be read in relation to the company without regard to the amendment of section 313(4) of that Act made by paragraph 7(5).

(7) In relation to derivative contracts entered into by a company in an accounting period beginning before 1 January 2016, sub-paragraphs (8) and (9) apply in relation to accounting periods beginning on or after that date.

(8) The reference in section 605(1)(b) of CTA 2009 to recognition in any of the statements mentioned in section 597(1) of that Act is to be read in relation to the company as a reference to recognition in the company's accounts for the period as an item of profit or loss or as an item of other comprehensive income.

(9) But section 605 does not bring into account for the purposes of Part 7 of CTA 2009 any exchange gain or loss of the company so far as it is recognised in the company's statement of total recognised gains and losses, statement of recognised income and expense, statement of changes in equity or statement of income and retained earnings.

(10) In this paragraph "item of profit and loss" and "item of other comprehensive income" each has the meaning that it has for accounting purposes.

Commencement: insolvency, corporate rescue etc

107 Paragraphs 16 to 18 have effect in relation to the release, modification or replacement of a debtor relationship of a company on or after 1 January 2015.

108 Paragraph 33(2) has effect in relation to the release of a debtor relationship of a company on or after the day on which this Act is passed.

109 Paragraphs 35 to 37 have effect where the company acquiring the rights under the loan relationship as creditor does so on or after the day on which this Act is passed.

110 Paragraphs 38 to 40 have effect where the companies become connected with each other on or after the day on which this Act is passed.

Commencement: anti-avoidance provisions etc

111 The following provisions have effect in relation to arrangements entered into on or after the day on which this Act is passed—

paragraph 20, so far as relating to the repeal of section 328(4A) of CTA 2009,
paragraph 21,
paragraph 27,
paragraph 45(a) and (c),
paragraph 51,
paragraph 55(d),
paragraph 68, so far as relating to the repeal of section 606(4C) to (4E) of CTA 2009,
paragraph 69,
paragraph 80,
paragraph 89(b),
paragraph 94, and
paragraph 99(4)(c).

112 The following provisions—

paragraph 28, so far as relating to the repeal of section 349(3) of CTA 2009, and

paragraph 50, so far as relating to the repeal of section 454 of CTA 2009,

have effect where conditions A and B in section 454 of CTA 2009 were first met in relation to the asset on or after the day on which this Act is passed.

113 The following provisions—

paragraph 45(b),

paragraph 50, so far as relating to the repeal of section 455 of CTA 2009,

paragraph 89(a) and

paragraph 93,

have effect in relation to disposals on or after the day on which this Act is passed.

114 Paragraph 48 has effect where the scheme was effected, or the arrangements were made, on or after the day on which this Act is passed.

Transitional adjustments relating to loan relationships

115 (1) This paragraph applies to a loan relationship of a company if—

(a) amounts relating to the matters mentioned in section 306A(1) of CTA 2009 (as inserted by paragraph 3) in respect of the loan relationship have in accordance with generally accepted accounting practice been recognised in the company's accounts as items of other comprehensive income,

(b) those amounts have not subsequently been transferred to become items of profit or loss in an accounting period beginning before 1 January 2016, and

(c) those amounts have been brought into account for corporation tax purposes in an accounting period beginning before 1 January 2016.

(2) There is to be made an overall transitional adjustment of such amount as is just and reasonable in the circumstances having regard to the amounts which would otherwise be brought into account twice by the company for those purposes as credits or debits.

(3) The overall transitional adjustment must be made by making transitional adjustments in accordance with paragraph 116.

(4) In determining what amounts fall within sub-paragraph (1), it is to be assumed that the accounting policy applied in drawing up the company's accounts for the last accounting period of the company beginning before 1 January 2016 ("the pre-commencement period") was also applied in previous accounting periods.

(5) But if the company's accounts for the pre-commencement period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous accounting periods which differs from that mentioned in sub-paragraph (4), that different assumption applies in determining what amounts fall within sub-paragraph (1).

116 (1) If paragraph 115 applies in relation to a loan relationship of a company, then for each relevant accounting period a credit or debit of an amount equal to the transitional adjustment for the period must be brought into account for the purposes of Part 5 of CTA 2009 in the same way as a credit or debit which is brought into account in determining the company's profit or loss for the period in accordance with generally accepted accounting practice.

(2) The relevant accounting periods are—

(a) the first accounting period of the company beginning on or after 1 January 2016, and

(b) each subsequent accounting period all or part of which falls within the transitional years.

(3) The transitional years are the 5 years beginning with the first day of the first accounting period of the company beginning on or after 1 January 2016.

(4) The transitional adjustment for each relevant accounting period is calculated as follows.

(5) Allocate a percentage of the overall transitional adjustment (determined under paragraph 115) to each of the 5 transitional years as follows—

1st year	40%
2nd year	25%
3rd year	15%
4th year	10%
5th year	10%

(6) If a transitional year coincides with an accounting period, the transitional adjustment for the accounting period is the amount allocated to that year.

(7) In any other case—

(a) apportion the amount allocated to each transitional year between accounting periods according to the number of days in the transitional year which fall within each period, and

(b) the transitional adjustment for an accounting period is the total of the amounts apportioned to that period.

117 Paragraphs 115 and 116 do not require an amount to be brought into account if it has already been brought into account under regulations under—

(a) section 151E of TCGA 1992 (exchange gains and losses from loan relationships: regulations), or

(b) section 328 of CTA 2009 (exchange gains and losses).

118 (1) This paragraph applies if either of the following provisions of CTA 2009 applies in relation to the first accounting period of a company beginning on or after 1 January 2016—

(a) section 316 (change of accounting policy involving change of value), as substituted by paragraph 10, and

(b) section 318 (change of accounting policy following cessation of loan relationship), as amended by paragraph 12.

(2) The overall transitional adjustment required by paragraphs 115 and 116 is to be calculated and applied before calculating any credit or debit required by section 316 or 318 of CTA 2009.

119 (1) This paragraph applies if—

(a) an overall transitional adjustment is required by paragraph 115 in respect of a loan relationship of a company, and

(b) before the end of the 5 years mentioned in paragraph 116(3), the company—

(i) ceases to be within the charge to corporation tax, or

(ii) starts to be wound up.

(2) The company must bring into account for the purposes of Part 5 of CTA 2009 in the accounting period ending with the event within sub-paragraph (1)(b) a credit or debit of an amount equal to so much of the overall transitional adjustment as has not previously been brought into account.

(3) For the purposes of this paragraph a company starts to be wound up—

(a) when the company passes a resolution for the winding up of the company,

(b) when a petition for the winding up of the company is presented, if the company has not already passed such a resolution and a winding up order is made on the petition, or

(c) when an act is done in relation to the company for a similar purpose, if the winding up is not under the Insolvency Act 1986.

Transitional adjustments relating to derivative contracts

120 (1) This paragraph applies to a derivative contract of a company if—

(a) amounts relating to the matters mentioned in section 594A(1) of CTA 2009 (as inserted by paragraph 61) in respect of the derivative contract have in accordance with generally accepted accounting practice been recognised in the company's accounts as items of other comprehensive income,

(b) those amounts have not subsequently been transferred to become items of profit or loss in an accounting period beginning before 1 January 2016, and

(c) those amounts have been brought into account for corporation tax purposes in an accounting period beginning before 1 January 2016.

(2) There is to be made an overall transitional adjustment of such amount as is just and reasonable in the circumstances having regard to the amounts which would otherwise be brought into account twice by the company for those purposes as credits or debits.

(3) The overall transitional adjustment must be made by making transitional adjustments in accordance with paragraph 121.

(4) In determining what amounts fall within sub-paragraph (1), it is to be assumed that the accounting policy applied in drawing up the company's accounts for the last accounting period of the company beginning before 1 January 2016 ("the pre-commencement period") was also applied in previous accounting periods.

(5) But if the company's accounts for the pre-commencement period are in accordance with generally accepted accounting practice drawn up on an assumption as to the accounting policy in previous accounting periods which differs from that mentioned in sub-paragraph (4), that different assumption applies in determining what amounts fall within sub-paragraph (1).

121 (1) If paragraph 120 applies in relation to a derivative contract of a company, then for each relevant accounting period a credit or debit of an amount equal to the transitional adjustment for the period must be brought into account for the purposes of Part 7 of CTA 2009 in the same way as a credit or debit which is brought into account in determining the company's profit or loss for the period in accordance with generally accepted accounting practice.

(2) The relevant accounting periods are—

(a) the first accounting period of the company beginning on or after 1 January 2016, and

(b) each subsequent accounting period all or part of which falls within the transitional years.

(3) The transitional years are the 5 years beginning with the first day of the first accounting period of the company beginning on or after 1 January 2016.

(4) The transitional adjustment for each relevant accounting period is calculated as follows.

(5) Allocate a percentage of the overall transitional adjustment (determined under paragraph 120) to each of the 5 transitional years as follows—

1st year	40%
2nd year	25%
3rd year	15%
4th year	10%
5th year	10%

(6) If a transitional year coincides with an accounting period, the transitional adjustment for the accounting period is the amount allocated to that year.

(7) In any other case—

(a) apportion the amount allocated to each transitional year between accounting periods according to the number of days in the transitional year which fall within each period, and

(b) the transitional adjustment for an accounting period is the total of the amounts apportioned to that period.

122 Paragraphs 120 and 121 do not require an amount to be brought into account if it has already been brought into account under regulations under section 606 of CTA 2009 (exchange gains and losses).

123 (1) This paragraph applies if either of the following provisions of CTA 2009 applies in relation to the first accounting period of a company beginning on or after 1 January 2016—

(a) section 614 (change of accounting policy involving change of value), as substituted by paragraph 76, and

(b) section 615 (change of accounting policy after ceasing to be a party to derivative contract), as amended by paragraph 77.

(2) The overall transitional adjustment required by paragraphs 120 and 121 is to be calculated and applied before calculating any credit or debit required by section 614 or 615 of CTA 2009.

124 (1) This paragraph applies if—

(a) an overall transitional adjustment is required by paragraph 120 in respect of a derivative contract of a company, and

(b) before the end of the 5 years mentioned in paragraph 121(3), the company—

(i) ceases to be within the charge to corporation tax, or

(ii) starts to be wound up.

(2) The company must bring into account for the purposes of Part 5 of CTA 2009 in the accounting period ending with the event within sub-paragraph (1)(b) a credit or debit of an amount equal to so much of the overall transitional adjustment as has not previously been brought into account.

(3) For the purposes of this paragraph a company starts to be wound up—

(a) when the company passes a resolution for the winding up of the company,

(b) when a petition for the winding up of the company is presented, if the company has not already passed such a resolution and a winding up order is made on the petition, or

(c) when an act is done in relation to the company for a similar purpose, if the winding up is not under the Insolvency Act 1986.

Straddling accounting periods treated as split for certain purposes

125 If a company has an accounting period which begins before and ends on or after 1 January 2016 ("the straddling period"), so much of the straddling period as falls before that date, and so much of that period as falls on or after that date, are treated for the purposes of each of the following provisions as separate accounting periods—

paragraph 20(4), so far as relating to section 328(3C) of CTA 2009, and

paragraph 68(4), so far as relating to section 606(3C) of that Act.

Transitional provision relating to abolition of "fairly represents" test

126 If in an accounting period beginning before 1 January 2016, subsection (3) of section 307 of CTA 2009 prevents a company from bringing into account for the purposes of Part 5 of that Act a credit or debit that it would otherwise bring into account, no debit or credit is to be brought into account for those purposes under section 307 as amended by paragraph 4 in an accounting period beginning on or after 1 January 2016 to the extent that the debit or credit represents a reversal (in whole or part) of the debit or credit previously excluded.

127 If in an accounting period beginning before 1 January 2016, subsection (3) of section 595 of CTA 2009 prevents a company from bringing into account for the purposes of Part 7 of that Act a credit or debit that it would otherwise bring into account, no debit or credit is to be brought into account for those purposes under section 595 as amended by paragraph 62 in an accounting period beginning on or after 1 January 2016 to the extent that the debit or credit represents a reversal (in whole or part) of the debit or credit previously excluded.

Transitional provision relating to fixed capital asset or project

128 If in an accounting period of a company beginning before 1 January 2016 credits or debits relating to a fixed capital asset or project were as a result of section 320 of CTA 2009 brought into account for the purposes of Part 5 of that Act, the condition in subsection (1)(c) of section 320 as amended by paragraph 13 is to be taken to be met in relation to that fixed capital asset or project in subsequent accounting periods.

129 If in an accounting period of a company beginning before 1 January 2016 credits or debits relating to a fixed capital asset or project were as a result of section 604 of CTA 2009 brought into account for the purposes of Part 7 of that Act, the condition

in subsection (1)(c) of section 604 as amended by paragraph 65 is to be taken to be met in relation to that fixed capital asset or project in subsequent accounting periods.

Changes to legislation:
There are currently no known outstanding effects for the Finance (No. 2) Act 2015, PART 6.