



# Corporation Tax Act 2009

## 2009 CHAPTER 4

### PART 7

#### DERIVATIVE CONTRACTS

#### CHAPTER 2

##### CONTRACTS TO WHICH THIS PART APPLIES

##### *Cases where companies treated as parties to relevant contracts*

#### **584 Hybrid derivatives with embedded derivatives**

- (1) This section applies if—
- (a) a company is a party to a relevant contract which meets the condition in section 579(1)(b) or (c) (contracts not treated for accounting purposes as derivatives),
  - (b) in accordance with generally accepted accounting practice, the company treats the rights and liabilities under the contract as divided between—
    - (i) rights and liabilities under one or more derivatives (“embedded derivatives”), and
    - (ii) the remaining rights and liabilities, and
  - (c) a contract consisting of only those remaining rights and liabilities would be a relevant contract.
- (2) The company is treated for the purposes of this Part—
- (a) as a party to a relevant contract whose rights and liabilities consist only of those of the embedded derivative, or (if there is more than one embedded derivative) as a party to relevant contracts each of whose rights and liabilities consist only of those of one of the embedded derivatives, and
  - (b) as a party to a relevant contract whose rights and liabilities are those within subsection (1)(b)(ii).

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*Status: This is the original version (as it was originally enacted).*

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- (3) Each relevant contract to which a company is treated as a party under subsection (2) is treated for the purposes of this Part as an option, a future or a contract for differences depending on what the character of a separate contract containing the rights and liabilities of the deemed relevant contract would be.
- (4) In this Part “hybrid derivative” means a relevant contract within subsection (1)(a).
- (5) See also—
  - (a) section 592 (embedded derivatives treated as meeting condition in section 591 etc), and
  - (b) section 616 (disapplication of fair value accounting for certain embedded derivatives).