
STATUTORY INSTRUMENTS

1994 No. 3226

**The Exchange Gains and Losses
(Transitional Provisions) Regulations 1994**

PART III

**PRE—COMMENCEMENT GAINS AND LOSSES: CASE
I ASSETS AND LIABILITIES AND CAPITAL ASSETS**

Elections to treat pre—commencement day gains and losses as accruing after commencement day over 6 year period

15.—(1) A company may elect by notice to the inspector, before the expiry of the period of 92 days beginning with the company's commencement day or, if later, the expiry of the period of 183 days beginning with 23rd March 1995, that the provisions of this regulation shall apply, subject to paragraph (6) below, in relation to all existing assets and liabilities held or owed by the company, and where an election has effect under this regulation—

- (a) it shall have effect as from the beginning of the company's commencement day, and shall be irrevocable, and
- (b) regulations 10 to 14 shall not apply in relation to any such existing asset or liability.

(2) In any case where an election has effect under this regulation and as respects any existing asset or liability held or owed by the company there is an attributed gain or loss, then for the purposes of Chapter II the amount of that gain or loss shall be divided into 6 equal parts of which—

- (a) each shall be deemed to be an initial exchange gain or loss (as the case may be) accruing as respects that asset or liability, and
- (b) the first shall be deemed to accrue to the company at the beginning of the company's commencement day, and
- (c) subject to paragraph (3) below, the remaining 5 shall be deemed to accrue (severally) to the company at the beginning of each of the following 5 anniversaries of that day.

(3) If the company ceases to be within the charge to corporation tax before the fifth anniversary of its commencement day, any exchange gain or loss which (by virtue of paragraph (2)(c) above) has not accrued before the company ceases to be within the charge to corporation tax, shall be deemed to accrue to the company immediately before it so ceases.

(4) Any initial exchange gain or loss which is deemed to accrue to the company by virtue of this regulation shall be deemed to accrue for an accrual period which is identical to the accounting period of the company which includes the day on which the gain or loss is treated as accruing.

(5) This regulation and sections 128 and 129 shall continue to apply in relation to an asset or liability as respects which the gain or loss is deemed to accrue by virtue of this regulation notwithstanding a disposal of the asset or liability by the company before the fifth anniversary of the company's commencement day, and for the purposes of those sections the asset or liability shall be deemed to continue to be held or owed until that anniversary by the company for the same purposes as those for which it was held or owed immediately before the disposal.

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(6) An election under this regulation shall not apply in relation to a regulation 6(3) asset or an asset which is held by the company on its commencement day in exempt circumstances.