
STATUTORY INSTRUMENTS

2004 No. 3256

**The Loan Relationships and Derivative
Contracts (Disregard and Bringing into Account
of Profits and Losses) Regulations 2004**

[F¹Loan relationships as permanent as equity

12A.—(1) The amounts described in paragraph (3) are not brought into account for the purposes of Part 5 of the Corporation Tax Act 2009 in relation an asset representing a loan relationship of a company which is denominated in a currency which is not, or was not, the company's functional currency, if there is a relevant change of accounting policy.

(2) A relevant change of accounting policy is a change of accounting policy in drawing up a company's accounts from one period of account to the next where in accordance with generally accepted accounting practice—

- (a) in the earlier period the loan relationship is treated (in accordance with SSAP 20) as permanent as equity and either—
 - (i) the loan relationship was brought into account at an historic rate, or
 - (ii) debits and credits in relation to the loan relationship were not brought into account by virtue of section 328(3) of the Corporation Tax Act 2009, and
- (b) in the later period the loan relationship was brought into account at a spot rate of exchange.

(3) The amounts are—

- (a) debits and credits representing the difference between the carrying value of the loan relationship recognised for accounting purposes at the end of the earlier period and the value recognised at the beginning of the later period to the extent the debits or credits are attributable to the different rates of exchange, and
- (b) debits and credits representing exchange gains and losses arising in the later period and subsequent accounting periods in relation to the loan relationship.

(4) But an amount is not within paragraph (3)(b) to the extent that in any period —

- (a) the loan relationship is a hedged item under a hedging relationship where the hedging instrument is a liability representing a loan relationship of the company or an obligation of the company under a derivative contract to pay in exchange for one currency an amount in a second currency, or
- (b) regulation 3(5) applies in relation to the loan relationship.

(5) For the purposes of this regulation—

- (a) where there is a change of accounting policy in drawing up a company's accounts from one period of account to the next, the "earlier period" is the first of those periods of account and the "later period" is the next period;
- (b) "functional currency" means the currency of the primary economic environment in which a company operates;

Changes to legislation: *There are currently no known outstanding effects for the The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004, Section 12A. (See end of Document for details)*

- (c) “historic rate” and “as permanent as equity” have the same meaning as for accounting purposes;
- (d) “SSAP 20” means Statement of Standard Accounting Practice No.20 on Foreign Currency Translation, issued by the Accounting Standards Board on 1st April 1983.]

Textual Amendments

- F1** [Reg. 12A](#) inserted (31.12.2014 with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Changes in Accounting Standards \(Loan Relationships and Derivative Contracts\) Regulations 2014](#) (S.I. 2014/3325), regs. 1(1), **3(2)**

Changes to legislation:

There are currently no known outstanding effects for the The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004, Section 12A.