
STATUTORY INSTRUMENTS

2006 No. 3236

**The Loan Relationships and Derivative Contracts
(Disregard and Bringing into Account of Profits
and Losses) (Amendment) Regulations 2006**

Amendment to the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004

- 3.—(1) Amend regulation 6 (rules about fair value profits and losses)⁽¹⁾ as follows.
- (2) After paragraph (3) insert—
- “**(3A)** A company may elect that regulation 9A shall apply to—
- (a) its currency contracts which satisfy the conditions contained in regulation 7(1), and
- (b) its commodity or debt contracts which satisfy the conditions contained in regulation 8(1).”.
- (3) In paragraph (4) after “(3)” insert “or (3A)”.
- (4) In paragraph (5A)(a)(ii) after “risks” insert “, in relation to which the contract was intended to act as a hedge,”.
- (5) After paragraph (5A) insert—
- “**(5B)** Subject to paragraph (5C), a company may elect that regulation 9 shall not apply to its interest rate contracts which satisfy the conditions contained in that regulation but that regulation 9A shall apply, and any election under this regulation shall apply to all of the interest rate contracts entered into by the company which satisfy the conditions contained in regulation 9(1).
- (5C)** An election under paragraph (5B) has no effect in relation to interest rate contracts—
- (a) where the conditions in paragraph (5A)(a) are met; or
- (b) where the hedged item is an asset representing a loan relationship—
- (i) to which section 87(1) of the Finance Act 1996 applies, and
- (ii) in relation to which the company uses fair value accounting.”.
- (6) In paragraphs (6A) and (7) for “(3) or (5)” substitute “(3), (3A), (5) or (5A)”.
- (7) After paragraph (7) insert—
- “**(7A)** An election under paragraph (3A) or (5B)—
- (a) must be made before the later of—
- (i) 1st April 2007, and
- (ii) the date determined by paragraph (6A) or (7) as the date before which an election must be made;

⁽¹⁾ Regulation 6 was amended by regulations 2 and 7 of [S.I. 2005/2012](#) and regulations 2 and 7 of [S.I. 2005/3374](#).

- (b) must be made in writing to Her Majesty's Revenue and Customs;
- (c) is irrevocable; and
- (d) applies in relation to accounting periods beginning on or after 1st January 2006.

(7B) An election—

- (a) under paragraph (3A) revokes any previous election under paragraph (3);
- (b) under paragraph (5B) revokes any previous election under paragraph (5).”.

(8) In paragraph (9) omit “the” in the second place it occurs.

(9) In paragraph (9A) at the end insert “except where revoked by an election made under paragraph (5B)”.

(10) In—

- (a) paragraph (10)(a) and (c),
- (b) paragraph (12)(b) and
- (c) paragraph (13) (in both places),

for “(3) or (5)” substitute “(3), (3A), (5) or (5B)”.

(11) In paragraph (12)(a) for “(3A)” substitute “(3B)”.