

**2015 No. 1962**

**CORPORATION TAX**

**The Loan Relationships and Derivative Contracts (Change of Accounting Practice) (Amendment No. 2) Regulations 2015**

<i>Made</i>	- - - -	<i>3rd December 2015</i>
<i>Laid before the House of Commons</i>		<i>7th December 2015</i>
<i>Coming into force</i>	- -	<i>31st December 2015</i>

The Treasury make the following Regulations in exercise of the powers conferred by sections 319 and 598 of the Corporation Tax Act 2009(a).

**Citation, commencement and effect**

**1.**—(1) These Regulations may be cited as the Loan Relationships and Derivative Contracts (Change of Accounting Practice) (Amendment No. 2) Regulations 2015 and come into force on 31st December 2015.

(2) These Regulations have effect in relation to periods of account beginning on or after 1st January 2016.

(3) But regulations 4 and 6 only apply where the later period begins on or after 1st January 2016.

(4) In paragraph (3), “later period” has the meaning given in section 315(2) of CTA 2009.

**Amendments to the Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004**

**2.** The Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004(b) are amended as follows.

**3.** In regulation 3 (prescribed debits and credits to be brought into account: general)(c), omit “in an accounting period of the company beginning on or after 1st January 2006”.

**4.** In regulation 3A (prescribed debits and credits brought into account over prescribed period)(d)—

(a) for paragraph (2) substitute—

“(2) Subject to paragraphs (2A) and (7A), one tenth of the applicable amount must be brought into account for each year in the period of ten years beginning with the later period.

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(a) 2009 c. 4.

(b) S.I. 2004/3271; relevant amending instruments are S.I. 2005/3383, 2006/3238, 2007/950, 2007/3432, 2008/3237 and 2014/3187.

(c) Regulation 3 was substituted by S.I. 2006/3238.

(d) Regulation 3A was inserted by S.I. 2005/3383 and amended by S.I. 2007/3432 and 2008/3237.

(2A) Where the applicable amounts relate to own credit risk which would be recognised in the company's accounts as an item of other comprehensive income on the application of the relevant recognition and measurement provisions of International Financial Reporting Standard 9 issued by the International Accounting Standards Board on 24th July 2014, a percentage of the applicable amounts must be brought into account for each year in the period of five years beginning with the later period as follows—

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

- (b) in paragraphs (3) and (4) , after “(2)” insert “or (2A)”,
- (c) in paragraph (5) for “paragraphs (7A) and (7B)” substitute “paragraph (7A)”,
- (d) in paragraph (7A)—
  - (i) in sub-paragraph (a) omit “beginning on or after 1st January 2009”, and
  - (ii) omit sub-paragraph (b),
- (e) omit paragraph (7B), and
- (f) at the end insert—

“(9) In this regulation—

“own credit risk” has the meaning it has for accounting purposes;

“prescribed period” means the period of ten years referred to in paragraph (2) or the period of five years referred to in paragraph (2A).”.

**5.** In regulation 3B (prescribed debits and credits in relation to dormant accounts)(a)—

- (a) in paragraphs (2) and (10) for “carrying value” substitute “tax-adjusted carrying value”, and
- (b) in paragraph (10)—
  - (i) for “section 317” substitute “section 465B”(b), and
  - (ii) for “regulation 3A(2)” substitute “regulation 3A(9)”.

**6.** In regulation 3C (prescribed debits and credits not brought into account)(c), in paragraph (2) omit sub-paragraph (e).

**7.** In regulation 4 (prescribed debits and credits)(d), in paragraph (1)—

- (a) for “in any accounting period of a company beginning on or after 1st January 2005” substitute “which represent an adjustment arising from a change in accounting policy”,
- (b) for sub-paragraph (a) substitute—
  - “(a) section 308 of CTA 2009;”, and
- (c) for sub-paragraph (c) substitute—
  - “(c) section 597 of CTA 2009;”.

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(a) Regulation 3B was inserted by S.I. 2005/3383 and substituted by S.I. 2007/3432.

(b) Section 465B of the Corporation Tax Act 2009 was inserted by paragraph 52 of Schedule 7 to the Finance (No 2) Act 2015 (c. 33).

(c) Regulation 3C was inserted by S.I. 2005/3383 and relevantly amended by S.I. 2014/3187.

(d) Regulation 4 was relevantly amended by S.I. 2007/950 and 2014/3187.

8. Omit regulation 5 (amounts recognised in determining a company's profit or loss in relation to held-to-maturity assets).

*Mel Stride*  
*George Hollingbery*

3rd December 2015

Two of the Lords Commissioners of Her Majesty's Treasury

### **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations amend the Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004 ("the principal Regulations") which make provision for certain debits and credits not to be brought into account in the first accounting period of a company beginning on or after 1st January 2005, and for those debits and credits instead to be brought into account over a ten year period (beginning with the first period of account on or after 1st January 2006), or not to be brought into account for any period.

Regulation 1 provides for citation, commencement and effect.

Regulation 2 introduces the amendments.

Regulation 3 removes a redundant reference.

Regulation 4 amends regulation 3A to insert a new provision to provide for adjustments arising from own credit risk to be brought into account over a period of 5 years and remove a redundant reference to accounting periods beginning on or after 1st January 2009.

Regulations 5 to 8 make amendments which are consequential to amendments made to Parts 5 and 7 of the Corporation Tax Act 2009 by the Finance (No 2) Act 2015.

A Tax Information and Impact Note for the modernisation of the taxation of corporate debt and derivative contracts which covers this instrument was published at Summer Budget 2015 on 8th July 2015 and is available on the HMRC website at: [www.gov.uk/government/collections/tax-information-and-impact-notes-tiins](http://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins). It remains an accurate summary of the impacts that apply to this instrument.

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