2015 No.

CORPORATION TAX

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

Made - - - - ***
Laid before the House of Commons ***
Coming into force - - ***

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.—a) 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 ****.

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

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

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)(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.

(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 24 July 2014, a

(a) 2009 c. 4.
(c) Regulation 3 was substituted by S.I. 2006/3238.
(d) Regulation 3C was inserted by S.I. 2005/3383 and amended by S.I. 2007/3432 and 2008/3237.
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—

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>40%</td>
</tr>
<tr>
<td>2nd</td>
<td>25%</td>
</tr>
<tr>
<td>3rd</td>
<td>15%</td>
</tr>
<tr>
<td>4th</td>
<td>10%</td>
</tr>
<tr>
<td>5th</td>
<td>10%</td>
</tr>
</tbody>
</table>

(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 2006”, and
   (ii) omit sub-paragraph (b),
(e) omit paragraph (7B),
(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) for “section 317” substitute “section 465B”.

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

7. In regulation 4 (prescribed debits and credits)(c), 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-paragraphs (a) substitute—
       “(a) section 308 of CTA 2009;”, and
   (c) for sub-paragraph (c) substitute—
       “(c) section 597 of CTA 2009;”.

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

Name
Date
Two of the Lords Commissioners of Her Majesty’s Treasury

(a) Regulation 3B was inserted by S.I. 2005/3383 and amended by S.I. 2014/3187.
(b) Regulation 3C was inserted by S.I. 2005/3383 and relevantly amended by S.I. 2014/3187.
(c) Regulation 4 was relevantly amended by S.I. 2007/950 and 2014/3187.
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.

[A Tax Information and Impact Note]