

Foreign currency: computation of income and chargeable gains. CTA76 s12A; FA94 s56(a); FA96 s45(1) 79.—(1)

(a) In this section—

“profit and loss account” means—

(i) in the case of a company (in this definition referred to as the “resident company”) resident in the State, the account of that company, and

(ii) in the case of a company (in this definition referred to as the “non-resident company”) not resident in the State but carrying on a trade in the State through a branch or agency, the account of the business of the company carried on through or from such branch or agency,

which, in the opinion of the auditor appointed under section 160 of the Companies Act, 1963 , or under the law of the State in which the resident company or non-resident company, as the case may be, is incorporated and which corresponds to that section, presents a true and fair view of the profit or loss of the resident company or the business of the non-resident company, as the case may be;

“rate of exchange” means a rate at which 2 currencies might reasonably be expected to be exchanged for each other by persons dealing at arm's length or, where the context so requires, an average of such rates;

“relevant contract”, in relation to a company, means any contract entered into by the company for the purpose of eliminating or reducing the risk of loss being incurred by the company due to a change in the value of a relevant monetary item, being a change resulting directly from a change in a rate of exchange;

“relevant monetary item”, in relation to a company, means money held or payable by the company for the purposes of a trade carried on by it;

“relevant tax contract”, in relation to an accounting period of a company, means any contract entered into by the company for the purpose of eliminating or reducing the risk of loss being incurred by the company due to a change in the value of money payable in discharge of a liability of the company to corporation tax for the accounting period, being a change resulting directly from a change in a rate of exchange of the functional currency ) of the company for the currency of the State.

(b) The treatment of a contract entered into by a company as a relevant contract for the purposes of this section shall be disregarded for any other purpose of the Tax Acts.

(2) Notwithstanding section 76, for the purposes of corporation tax, the amount of any gain or loss, whether realised or unrealised, which—

(a) is attributable to any relevant monetary item or relevant contract of a company,

(b) results directly from a change in a rate of exchange, and

(c) is properly credited or debited, as the case may be, to the profit and loss account of the company, shall be taken into account in computing the trading income of the company.

(3) (a) Notwithstanding section 78, for the purposes of corporation tax, where any gain or loss arises to a company in respect of—

(i) a relevant contract of the company, or

(ii) money held by the company for the purposes of a trade carried on by it,

so much of that gain or loss as results directly from a change in a rate of exchange shall not be a chargeable gain or an allowable loss, as the case may be, of the company.

(b) This subsection shall not apply as respects any gain or loss arising to a company carrying on life business within the meaning of section 706 (1), being a company which is not charged to corporation tax in respect of that business under Case I of Schedule D.

(4) Notwithstanding section 78, so much of the amount of any gain or loss arising to a company which carries on a trade in the State in an accounting period as—

(a) is attributable to any relevant tax contract in relation to the accounting period,

(b) results directly from a change in a rate of exchange, and

(c) (i) where it is a gain, does not exceed the amount of the loss which, if the company had not entered into the relevant tax contract, would have been incurred by the company, and

(ii) where it is a loss, does not exceed the amount of the gain which, if the company had not entered into the relevant tax contract, would have arisen to the company,

due to a change in the value of money payable in discharge of a liability of the company to corporation tax for the accounting period,

shall not be a chargeable gain or an allowable loss, as the case may be, of the company.