HMRC - CTM81585 - Groups: Group Relief: Surrendering Company Not UK Resident: Amount Of The Loss: UK Recomputation: Loan Relationships & Derivative Contracts

In order to quantify the loss eligible for relief, the foreign loss is to be recomputed in accordance with UK principles, (CTM81560).

All of the computational rules in FA96 need to be applied to arrive at profits or losses on loan relationships, and similarly the computational rules in FA02/SCH26 need to be applied to arrive at profits or losses on derivative contracts.

This takes in not only the basic computational rules (found at FA96/S85A & 85B for loan relationships, and FA96/PARA17A - 17C for derivative contracts) but in particular will include:

The provisions that ensure any increase or decrease in the book value of financial instruments when a company first adopts International Accounting Standards 39 or FRS 26 is brought into account for tax purposes (FA96/SCH9/PARA19A for loan relationships and FA96/SCH26/PARA50A for derivative contracts).

Regulations made under powers contained in the loan relationships or derivative contracts legislation, for example the Disregard Regulations dealing with derivative contracts that hedge assets or liabilities.

Any applicable special rules, such as anti-avoidance legislation.

The Corporate Finance Manual provides details of how to compute profits and losses arising on loan relationships and derivative contracts. Guidance on loan relationships isat CFM5000 onwards, and on derivative contracts at CFM13000 onwards.

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