

SCHEDULE 1

Section {}

CORPORATION TAX: FOREIGN CURRENCY ACCOUNTING [{}]

Amendments of FA 1993

- 1 FA 1993 is amended as follows.
- 2 In section 92 (the basic rule: sterling to be used), at the end of subsection (2) add –
 - “section 92D (sterling equivalents: the basic rule);
sections 92DA and 92DB (sterling equivalents: special rules
where amounts carried back or forward).”
- 3 In section 92B (company operating in currency other than sterling and preparing accounts in another currency), after subsection (3) add –
 - “(4) Where, for the purposes of computing the profits or losses of the company arising in an accounting period, an amount expressed in sterling is required by subsection (3) to be translated into its equivalent expressed in another currency, it must be translated by reference to the appropriate exchange rate.”
- 4 In section 92C (company preparing accounts in currency other than sterling), after subsection (4) add –
 - “(5) Where, for the purposes of computing the profits or losses of the company arising in an accounting period, an amount expressed in sterling is required by subsection (4) to be translated into its equivalent expressed in another currency, it must be translated by reference to the appropriate exchange rate.”
- 5 For section 92D (translating amounts into equivalent in different currency) substitute –

“92D Sterling equivalents: the basic rule

- (1) This section applies where, for the purposes of computing the profits or losses of a company arising in an accounting period, a profit or loss is required by section 92B or 92C to be translated into its sterling equivalent.
- (2) The translation must be made by reference to the appropriate exchange rate.
- (3) This section is subject to sections 92DA and 92DB (special rules where translation is for the purpose of computing amounts to be carried back or carried forward to other accounting periods).

92DA Carried-back amounts: sterling equivalent

- (1) This section applies where, for the purpose of computing a carried-back amount in respect of a company (“amount A”), a loss (“the loss”) is required by section 92B or 92C to be translated into its sterling equivalent.
- (2) The translation must be made in accordance with rule 1, 2 or 3 (whichever is applicable).

- (3) Rule 1 applies if the operating currency of the company in the accounting period in which the loss arises (“the later operating currency”) is the same as the operating currency of the company in the accounting period to which amount A is to be carried back (“the earlier operating currency”).
- (4) Rule 1 is that the loss must be translated into its sterling equivalent by reference to the same rate of exchange as that at which the profit against which amount A is to be set off is required to be translated under section 92D.
- (5) Rule 2 applies if –
 - (a) the later operating currency is not the same as the earlier operating currency, and
 - (b) the earlier operating currency is sterling.
- (6) Rule 2 is that the loss must be translated into its sterling equivalent by reference to the spot rate of exchange for the last day of the accounting period to which amount A is to be carried back.
- (7) Rule 3 applies if –
 - (a) the later operating currency is not the same as the earlier operating currency, and
 - (b) the earlier operating currency is a currency other than sterling.
- (8) Rule 3 is that the loss must be translated into its sterling equivalent by –
 - (a) being translated into the earlier operating currency by reference to the spot rate of exchange for the last day of the accounting period to which amount A is to be carried back, before
 - (b) being translated into sterling by reference to the same rate of exchange as that at which the profit against which amount A is to be set off is required to be translated under section 92D.

92DB Carried-forward amounts: sterling equivalent

- (1) This section applies where, for the purpose of computing a carried-forward amount in respect of a company (“amount A”), a loss (“the loss”) is required by section 92B or 92C to be translated into its sterling equivalent.
- (2) The translation must be made in accordance with rule 1, 2 or 3 (whichever is applicable).
- (3) Rule 1 applies if the operating currency of the company in the accounting period in which the loss arises (“the earlier operating currency”) is the same as the operating currency of the company in the accounting period to which amount A is to be carried forward (“the later operating currency”).
- (4) Rule 1 is that the loss must be translated into its sterling equivalent by reference to the same rate of exchange as that at which the profit against which amount A is to be set off is required to be translated under section 92D.
- (5) Rule 2 applies if –

- (a) the earlier operating currency is not the same as the later operating currency, and
 - (b) the later operating currency is sterling.
- (6) Rule 2 is that the loss must be translated into its sterling equivalent by reference to the spot rate of exchange for the first day of the accounting period to which amount A is to be carried forward.
- (7) Rule 3 applies if—
 - (a) the earlier operating currency is not the same as the later operating currency, and
 - (b) the later operating currency is a currency other than sterling.
- (8) Rule 3 is that the loss must be translated into its sterling equivalent by—
 - (a) being translated into the later operating currency by reference to the spot rate of exchange for the first day of the accounting period to which amount A is to be carried forward, before
 - (b) being translated into sterling by reference to the same rate of exchange as that at which the profit against which amount A is to be set off is required to be translated under section 92D.

92DC Meaning of “carried-back amount” and “carried-forward amount”

- (1) In section 92DA “carried-back amount” means—
 - (a) an amount carried back under section 393A(1)(b) of ICTA (trading losses), or
 - (b) an amount carried back by virtue of a claim under section 459(1)(b) of the Corporation Tax Act 2009 (non-trading deficits from loan relationships).
- (2) In section 92DB “carried-forward amount” means—
 - (a) an amount carried forward under section 76(12) or (13) of ICTA (certain expenses of insurance companies),
 - (b) an amount carried forward under section 392A(2) or (3) of ICTA (UK property business losses),
 - (c) an amount carried forward under section 392B(1)(b) of ICTA (overseas property business losses),
 - (d) an amount carried forward under section 393(1) of ICTA (trading losses),
 - (e) an amount carried forward under section 396(1) of ICTA (losses from miscellaneous transactions),
 - (f) an amount carried forward under section 457(3) of the Corporation Tax Act 2009 (non-trading deficits from loan relationships),
 - (g) an amount carried forward under section 753(3) of the Corporation Tax Act 2009 (non-trading loss on intangible fixed assets), or
 - (h) an amount carried forward under section 1223 of the Corporation Tax Act 2009 (expenses of management and other amounts).
- (3) References in section 92DB to the profit against which the carried-forward amount is to be set off are, in the case of a carried-forward

amounts to which this subsection applies, to the profit in computing which the amount is deductible, disregarding the deduction.

- (4) Subsection (3) applies to a carried-forward amount that is treated as arising in an accounting period later than that in which it in fact arises, and is accordingly deductible in computing a profit for the later period.
- 6
- (1) Section 92E (meaning of “accounts”, “return of accounts” and “functional currency”) is amended as follows.
 - (2) For the heading substitute “**Interpretation of sections 92A to 92DB**”.
 - (3) In subsection (3), for “, 92B and 92D” substitute “and 92B”.
 - (4) After subsection (3) add –
 - “(4) References in sections 92B to 92D to “the appropriate exchange rate”, in relation to the translation of an amount for the purposes of computing the profits or losses of a company arising in an accounting period, are to –
 - (a) the average exchange rate for the accounting period, or
 - (b) where the amount to be translated relates to a single transaction, an appropriate spot rate of exchange for the transaction, or
 - (c) where the amount to be translated relates to more than one transaction, a rate of exchange derived on a just and reasonable basis from appropriate spot rates of exchange for those transactions.
 - (5) References in sections 92DA and 92DB to the “operating currency” of a company in an accounting period are to the currency in which profits or losses of that company arising in that accounting period are required to be computed by virtue of section 92A(2), 92B(2)(a) or 92C(3)(a).”

Commencement

- 7
- The amendments made by this Schedule have effect in relation to the translation of amounts required by section 92B or 92C of FA 1993 to be translated into their sterling equivalents, or their equivalents expressed in a currency other than sterling, where the translation is for the purpose of computing profits or losses (including losses that are to be carried-back amounts or carried-forward amounts) that arise in accounting periods beginning on or after the commencement date.

Transitional provision: amounts carried back to pre-commencement accounting periods

- 8
- (1) This paragraph applies where the following condition is met.
 - (2) The condition is that a loss of a company (“the loss”) is required by section 92B or 92C of FA 1993 to be translated from a currency other than sterling into its sterling equivalent for the purpose of computing an amount that –
 - (a) is a loss arising in an accounting period beginning on or after the commencement date, and
 - (b) is to be a carried-back amount that is to be carried back to an accounting period beginning before the commencement date.

- (3) Section 92DA of FA 1993 does not have effect in relation to the loss.
- (4) The translation must be made by reference to the appropriate exchange rate.

Transitional provision: amounts carried forward from earlier periods

- 9 (1) This paragraph applies where the following condition is met.
- (2) The condition is that a loss of a company (“the loss”) is required by section 92B or 92C of FA 1993 to be translated from a currency other than sterling (“the original currency”) into its sterling equivalent for the purpose of computing an amount (“amount A”) that –
 - (a) is a loss arising in an accounting period beginning before the commencement date, and
 - (b) is to be a carried-forward amount that is to be carried forward to an accounting period beginning on or after the commencement date.
- (3) The translation must be made by taking the following steps –

Step 1: translate the loss into its sterling equivalent by reference to the appropriate exchange rate.

Step 2: translate the loss (as translated under step 1) into the original currency by reference to the spot rate of exchange for the first day of the first accounting period of the company beginning on or after the commencement date.

Step 3: translate the loss (as translated under step 2) into its sterling equivalent in accordance with rule 1, 2 or 3 (whichever is applicable).
- (4) Rule 1 applies if the original currency and the operating currency of the company in the accounting period to which amount A is to be carried forward (“the later operating currency”) are the same.
- (5) Rule 1 is that the loss must be translated into its sterling equivalent by reference to the same rate of exchange as that at which the profit against which amount A is to be set off is required to be translated under section 92D of FA 1993.
- (6) Rule 2 applies if –
 - (a) the original currency is not the same as the later operating currency, and
 - (b) the later operating currency is sterling.
- (7) Rule 2 is that the loss must be translated into its sterling equivalent by reference to the spot rate of exchange for the first day of the accounting period to which amount A is to be carried forward.
- (8) Rule 3 applies if –
 - (a) the original currency is not the same as the later operating currency, and
 - (b) the later operating currency is a currency other than sterling.
- (9) Rule 3 is that the loss must be translated into its sterling equivalent by –
 - (a) being translated into the later operating currency by reference to the spot rate of exchange for the first day of the accounting period to which amount A is to be carried forward, before

- (b) being translated into sterling by reference to the same rate of exchange as that at which the profit against which amount A is to be set off is required to be translated under section 92D of FA 1993.

Interpretation

- 10 (1) In this Schedule the following expressions have the meaning given by section 92DC or 92E of FA 1993 –
- “appropriate exchange rate”;
 - “carried-back amount”;
 - “carried-forward amount”;
 - “operating currency”.
- (2) Subsections (3) and (4) of section 92DC of that Act (meaning of certain references to profit against which carried-forward amount is to be set off) apply in relation to this Schedule as they apply in relation to section 92DB of that Act.
- (3) In this Schedule “the commencement date” means 29 December 2007.

Right of company to elect for different commencement and transitional provision to apply

- 11 (1) If a company so elects, this Schedule has effect in relation to the company with the following modifications –
- (a) paragraph 9 does not apply, and
 - (b) “the commencement date” means the day on which this Act is passed.
- (2) An election by a company under this paragraph –
- (a) must be made before the end of the period of 30 days beginning with the first day of the first accounting period of the company beginning on or after the day on which this Act is passed, and
 - (b) is irrevocable.