

Bill 5

CONTENTS

PART 1

CURRENCY

CHAPTER 1

CURRENCY

Introduction

- 1 Introduction to Chapter [j8200a]

Basic rule

- 2 Basic rule: sterling to be used for calculating and expressing income and chargeable gains [j8200]

Special rules for certain cases

- 3 UK resident company operating in sterling and preparing accounts in another currency [j8203]
- 4 UK resident company operating in currency other than sterling and preparing accounts in another currency [j8204]
- 5 UK resident company preparing accounts in currency other than sterling [j8201]
- 6 Non-UK resident company preparing return of accounts in currency other than sterling [j8202]

Translating amounts into equivalent in different currency

- 7 Translating amounts into equivalent in different currency [j8205]

Schedule 1 – Minor and Consequential Amendments [j2 (currency)]
Part 1 – Other Enactments
Schedule 2 – Repeals [j4 (currency)]

Part 1 – Repeals (currency)

PART 1

CURRENCY

CHAPTER 1

CURRENCY

Introduction

1 Introduction to Chapter [j8200a]

- (1) This Chapter contains provision about the currency in which companies are required to calculate and express their income and chargeable gains for corporation tax purposes.

Origin: Drafting.

- (2) References in this Chapter to the “accounts” of a UK resident company are references to –
- (a) the annual accounts of the company required by Part 15 of the Companies Act 2006 (c. 46) or Part 8 of the Companies (Northern Ireland) Order 1986, or
 - (b) if the company is not required to prepare such accounts, the accounts which it is required to keep under the law of the territory under whose laws the company is incorporated, or
 - (c) if the company is not so required to keep accounts, such of its accounts as most closely correspond to accounts which it would have been required to prepare if the provisions of Part 15 of the Companies Act 2006 (c. 46) applied to it.

Origin: FA 1993 s.92E(1).

- (3) References in this Chapter to a company’s “functional currency” are references to the currency of the primary economic environment in which the company operates.

Origin: FA 1993 s.92E(3).

Basic rule

2 Basic rule: sterling to be used for calculating and expressing income and chargeable gains [j8200]

- (1) For corporation tax purposes the income and chargeable gains of a company for an accounting period must be calculated and expressed in sterling.

Origin: FA 1993 s.92(1).

- (2) See the following sections for further provision about the application of subsection (1) in certain cases where profits or losses fall to be calculated in accordance with generally accepted accounting practice –
- section 3 (UK resident company operating in sterling and preparing accounts in another currency);
 - section 4 (UK resident company operating in currency other than sterling and preparing accounts in another currency);
 - section 5 (UK resident company preparing accounts in currency other than sterling);
 - section 6 (non-UK resident company preparing accounts in currency other than sterling).

Origin: FA 1993 s.92(2).

Special rules for certain cases

3 UK resident company operating in sterling and preparing accounts in another currency [j8203]

- (1) This section applies if, for a period of account, in accordance with generally accepted accounting practice, a UK resident company –
- (a) prepares its accounts in a currency other than sterling, and
 - (b) in those accounts identifies sterling as its functional currency.

Origin: FA 1993 s.92A(1).

- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as if the company prepared its accounts in sterling.

Origin: FA 1993 s.92A(2).

4 UK resident company operating in currency other than sterling and preparing accounts in another currency [j8204]

- (1) This section applies if, for a period of account, in accordance with generally accepted accounting practice –
- (a) a UK resident company prepares its accounts in one currency,
 - (b) in those accounts it identifies another currency as its functional currency, and
 - (c) that currency is not sterling.

Origin: FA 1993 s.92B(1).

- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows –

Step 1

Calculate those profits or losses in the functional currency as if the company prepared its accounts in that currency.

Step 2

Take the sterling equivalent of those profits or losses (see section 7).

Origin: FA 1993 s.92B(2).

- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the functional currency of the company (see section 7).

Origin: FA 1993 s.92B(3).

5 UK resident company preparing accounts in currency other than sterling [j8201]

- (1) This section applies if, for a period of account—
- (a) a UK resident company prepares its accounts in a currency other than sterling (the “accounts currency”), and
 - (b) neither section 3 nor section 4 applies.

Origin: FA 1993 s.92C(1).

- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—

Step 1

Calculate those profits or losses in the accounts currency.

Step 2

Take the sterling equivalent of those profits or losses (see section 7).

Origin: FA 1993 s.92C(3).

- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company (see section 7).

Origin: FA 1993 s.92C(4).

6 Non-UK resident company preparing return of accounts in currency other than sterling [j8202]

- (1) This section applies if—
- (a) a non-UK resident company carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom, and
 - (b) for a period of account, the company prepares its return of accounts in a currency other than sterling (the “accounts currency”).

Origin: FA 1993 s.92C(2), s.92E(2).

- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—

Step 1

Calculate those profits or losses in the accounts currency.

Step 2

Take the sterling equivalent of those profits or losses (see section 7).

Origin: FA 1993 s.92C(3).

- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company (see section 7).

Origin: FA 1993 s.92C(4).

- (4) The reference in subsection (1) to the company’s “return of accounts” is a reference to a return of such accounts of its permanent establishment in the United Kingdom as may be required under paragraph 3 of Schedule 18 to FA 1998 (company tax returns).

Origin: FA 1993 s.92E(2).

*Translating amounts into equivalent in different currency***7 Translating amounts into equivalent in different currency [j8205]**

- (1) This section applies if, for the purposes of calculating the profits or losses of a company for an accounting period, a provision of this Chapter requires an amount to be translated into—
- (a) its sterling equivalent, or
 - (b) its equivalent expressed in the functional currency or the accounts currency of the company.

Origin: FA 1993 s.92D(1).

- (2) The translation must be made by reference to the appropriate exchange rate.

Origin: FA 1993 s.92D(1).

- (3) The “appropriate exchange rate” is—
- (a) the average exchange rate for the current accounting period, or
 - (b) an appropriate spot rate of exchange for the transaction in question.

Origin: FA 1993 s.92D(2).

- (4) In subsection (1)(b) the reference to the company’s “accounts currency” is a reference to the currency mentioned in section 5(1)(a) or, as the case requires, section 6(1)(b).

Origin: Drafting.

SCHEDULES

SCHEDULE 1

Section [jref]

MINOR AND CONSEQUENTIAL AMENDMENTS [j2 (CURRENCY)]

PART 1

OTHER ENACTMENTS

Finance Act 1993 (c. 34)

- 1 The Finance Act 1993 is amended as follows.
- 2 Omit sections 92 to 92E (which set out rules about the currency in which profits or losses of a company are calculated and expressed for corporation tax purposes).

SCHEDULE 2

Section [jref]

REPEALS [j4 (CURRENCY)]

PART 1

REPEALS (CURRENCY)

<i>Reference</i>	<i>Extent of repeal or revocation</i>
Finance Act 1993	Sections 92 to 92E.
Finance Act 2004 (c. 12)	In Schedule 10, paragraph 77.
