

**EXPLANATORY MEMORANDUM TO THE
EXCHANGE GAINS AND LOSSES (BRINGING INTO ACCOUNT GAINS OR
LOSSES) (AMENDMENT) REGULATIONS 2005**

2005 No. 2013

1. This explanatory memorandum has been prepared by Her Majesty's Commissioners of Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Description

The regulations amend the Exchange Gains and Losses (Bringing Into Account Gains or Losses) Regulations 2002 (SI 2002/1970) in consequence of changes made by the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2005.

3. Matters of special interest to the Select Committee on Statutory Instruments

None

4. Legislative Background

4.1 The power to make the regulations is in section 84A Finance Act 1996, paragraph 26 Schedule 23 and paragraph 16 Schedule 26 Finance Act 2002. These provisions allow certain exchange gains and losses to be kept out of account for tax purposes when they are recognised in a company's accounts, subject to their being brought into account at a later date. The regulations prescribe when and how the gains and losses are brought back into account. The regulations are being made under the negative resolution procedure.

4.2 These regulations are related to the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2005 which are being made at the same time.

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2005 modifies the treatment of certain exchange gains and losses, by deferring recognition of them for tax purposes. Consequential amendments are needed to the Exchange Gains and Losses (Bringing Into Account Gains or Losses) Regulations 2002 (SI 2002/1970) to ensure that the gains and losses are brought back into account at the correct time.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 There is no impact on the public sector.

9. Contact

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