



Corporation Tax Act 2009

2009 CHAPTER 4

PART 7 **U.K.**

DERIVATIVE CONTRACTS

CHAPTER 2 **U.K.**

CONTRACTS TO WHICH THIS PART APPLIES

Meaning of “derivative contract” and other basic definitions

576 “Derivative contract” **U.K.**

- (1) For the purposes of this Part, a contract of a company is a derivative contract of the company for an accounting period if it—
 - (a) is a relevant contract (see sections 577 and 578),
 - (b) meets any of the accounting conditions for the accounting period (see section 579), and
 - (c) is not prevented from being a derivative contract by section 589 (contracts excluded because of underlying subject matter: general) or any other provision of the Corporation Tax Acts.
- (2) See also sections 587 and 588 (other contracts etc treated as derivative contracts).
- (3) But note section 701 which includes power to amend the provisions of this Chapter relating to the meaning of “derivative contract”.

577 “Relevant contract” **U.K.**

- (1) In this Part “relevant contract” means—
 - (a) an option,
 - (b) a future, or

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(c) a contract for differences.

(2) For the meaning of “option”, “future” and “contract for differences”, see sections 580, 581 and 582 respectively.

578 Relevant contracts of a company and being party to such contracts **U.K.**

(1) For the purposes of this Part, references to a relevant contract of a company are references to a relevant contract entered into or acquired by the company (but see subsection (3)).

(2) For the purposes of this Part, a relevant contract is acquired by a company if the company becomes—

- (a) entitled to the rights under the relevant contract, and
- (b) subject to the liabilities under it.

(3) For particular cases where companies are treated as parties to relevant contracts, see—

- (a) section 584 (hybrid derivatives with embedded derivatives),
- (b) section 585 (loan relationships with embedded derivatives), and
- (c) section 586 (other contracts with embedded derivatives).

(4) References in this Part to a company being a party to a relevant contract are to be read in accordance with this section.

579 The accounting conditions **U.K.**

(1) The accounting conditions for any accounting period are that—

- (a) the relevant contract is treated for accounting purposes as a derivative,
- (b) the relevant contract—
 - (i) is not so treated just because of not meeting the requirement in paragraph 9(b) of Financial Reporting Standard 26 issued in December 2004 by the Accounting Standards Board (requirement for no initial net investment or smaller initial net investment than comparable types of contract), but
 - (ii) is or forms part of a financial asset or liability for accounting purposes,
 or
- (c) the relevant contract is not within paragraph (a) or (b), but is within subsection (2).

(2) A relevant contract is within this subsection if—

- (a) its underlying subject matter is commodities, or
- (b) it is a contract for differences whose underlying subject matter is—
 - (i) land,
 - (ii) tangible movable property, other than commodities which are tangible assets,
 - (iii) intangible fixed assets,
 - (iv) weather conditions, or
 - (v) creditworthiness.

(3) For the purposes of subsection (1)(a), a relevant contract of a company is treated for accounting purposes as a derivative for an accounting period if for that period—

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- (a) it is so treated for the purposes of the relevant accounting standard used by the company for that period, or
 - (b) it would be so treated if the company used the relevant accounting standard for that period in respect of the contract.
- (4) For the purposes of subsection (1)(b), a relevant contract of a company is or forms part of a financial asset or liability for accounting purposes for an accounting period if for that period—
- (a) it is or does so for the purposes of the relevant accounting standard used by the company for that period, or
 - (b) it would be or would do so if the company used the relevant accounting standard for that period in respect of the contract.
- (5) In this section “relevant accounting standard” means—
- (a) for any accounting period in relation to which it is required or permitted to be used, Financial Reporting Standard 25 issued in December 2004 by the Accounting Standards Board, as from time to time modified, amended or revised, or
 - (b) for any accounting period in relation to which it is required or permitted to be used, any subsequent accounting standard dealing with transactions which are derivatives, as from time to time modified, amended or revised.
- (6) For the meaning of “underlying subject matter”, see section 583.

580 “Option” **U.K.**

- (1) In this Part “option” includes a warrant.
- (2) References in this Part to an option do not include a contract whose terms—
- (a) provide—
 - (i) that, after setting off their obligations to each other under the contract, a cash payment is to be made by one party to the other in respect of the excess, if any, or
 - (ii) that each party is liable to make to the other party a cash payment in respect of all that party's obligations to the other under the contract, and
 - (b) do not provide for the delivery of any property.
- (3) Subsection (2) does not prevent an option whose underlying subject matter is currency from being an option.
- (4) But see—
- (a) section 652 (introduction to sections 653 to 655),
 - (b) section 665 (issuers of securities with embedded derivatives: equity instruments), and
 - (c) section 695 (transfers of value to connected companies),
- in which “option” is to be construed as if subsections (2) and (3) were omitted.

581 “Future” **U.K.**

- (1) In this Part “future” means a contract for the sale of property under which delivery is to be made—

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- (a) at a future date agreed when the contract is made, and
 - (b) at a price so agreed,
- but this is subject to subsection (3).
- (2) For the purposes of subsection (1)(b), a price is agreed when the contract is made even if—
- (a) the price is left to be determined by reference to the price at which a contract is to be entered into on a market or exchange or could be entered into at a time and place specified in the contract, or
 - (b) in a case where the contract is expressed to be by reference to a standard lot and quality, provision is made for a variation in the price to take account of any variation in quantity or quality on delivery.
- (3) References in this Part to a future do not include a contract whose terms—
- (a) provide—
 - (i) that, after setting off their obligations to each other under the contract, a cash payment is to be made by one party to the other in respect of the excess, if any, or
 - (ii) that each party is liable to make to the other party a cash payment in respect of all that party's obligations to the other under the contract, and
 - (b) do not provide for the delivery of any property.
- (4) Subsection (3) does not prevent a future whose underlying subject matter is currency from being a future.

582 “Contract for differences” **U.K.**

- (1) In this Part “contract for differences” means a contract the purpose or pretended purpose of which is to make a profit or avoid a loss by reference to fluctuations in—
- (a) the value or price of property described in the contract, or
 - (b) an index or other factor designated in the contract.
- [^{F1}and includes a contract which falls within section 6(2) of, or paragraph 1(1) of Schedule 2 to, the Energy Act 2013.]
- (2) But none of the following is a contract for differences—
- (a) an option,
 - (b) a future,
 - (c) a contract of insurance,
 - (d) a capital redemption policy,
 - (e) a contract of indemnity,
 - (f) a guarantee,
 - (g) a warranty, or
 - (h) a loan relationship.
- (3) For the purposes of subsection (1)(b), an index or factor may be determined by reference to any matter.

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Textual Amendments

- F1** Words in s. 582(1) inserted (with effect in relation to accounting periods ending on or after 31.12.2013) by [The Corporation Tax Act 2009, Section 582 \(Contract for Differences\) \(Amendment\) Order 2013 \(S.I. 2013/3218\)](#), arts. 1, **2(2)**

583 “Underlying subject matter” **U.K.**

- (1) In this Part references to the underlying subject matter of a relevant contract are to be read as follows.
- (2) The underlying subject matter of an option is—
 - (a) the property which would fall to be delivered if the option were exercised, or
 - (b) if the property which would so fall is a derivative contract, the underlying subject matter of that contract.
- (3) The underlying subject matter of a future is—
 - (a) the property which, if the future were to run to delivery, would fall to be delivered at the date and price agreed when the contract is made, or
 - (b) if the property which would so fall is a derivative contract, the underlying subject matter of that contract.
- (4) The underlying subject matter of a contract for differences is—
 - (a) if the contract for differences relates to fluctuations in the value or price of property described in the contract, the property so described, or
 - (b) if an index or factor is designated in the contract for differences, the matter by reference to which the index or factor is determined.
- (5) The things which may be the subject matter of a contract for differences include—
 - (a) interest rates,
 - (b) weather conditions, and
 - (c) creditworthiness.
- (6) Interest rates are not the underlying subject matter of a relevant contract if—
 - (a) under the terms of that contract—
 - (i) the date on which a party to that contract becomes subject to a duty to make a payment is a variable date, and
 - (ii) the amount of that payment varies according to the date of payment, and
 - (b) those terms refer to an interest rate only for the purpose of establishing that amount.
- (7) The underlying subject matter of a relevant contract is not treated as being—
 - (a) land,
 - (b) shares in a company, or
 - (c) rights of a unit holder under a unit trust scheme,just because its underlying subject matter includes income from that kind of property.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Pt. 13 Ch. 1A inserted by [2024 c. 3 Sch. 1 para. 5](#)
- Pt. 14A inserted by [2024 c. 3 Sch. 2 para. 1](#)
- s. 1218ZCLA and cross-heading inserted by [2024 c. 3 Sch. 5 para. 9\(1\)](#)
- s. 142(5)(6) inserted by [2024 c. 3 Sch. 1 para. 9\(14\)\(c\)](#)
- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 807A substituted for s. 808-808E by [2024 c. 3 Sch. 2 para. 5\(2\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1040ZA(A1) inserted by [2024 c. 3 Sch. 2 para. 5\(3\)](#)
- s. 1044(2A) inserted by [2024 c. 3 Sch. 1 para. 6\(4\)\(b\)](#)
- s. 1044(5A)(5B) inserted by [2024 c. 3 Sch. 1 para. 6\(4\)\(c\)](#)
- s. 1045(2A) inserted by [2024 c. 3 Sch. 1 para. 6\(5\)\(b\)](#)
- s. 1045(4A) inserted by [2024 c. 3 Sch. 1 para. 6\(5\)\(c\)](#)
- s. 1045ZA inserted by [2024 c. 3 Sch. 1 para. 6\(6\)](#)
- s. 1045ZA(2)(3) modified by [2024 c. 3 Sch. 1 para. 21\(3\)\(4\)](#)
- s. 1052-1053A substituted for ss. 1052, 1053 by [2024 c. 3 Sch. 1 para. 6\(9\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1062A inserted by [2024 c. 3 Sch. 1 para. 6\(15\)](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1129(3)(d) and word inserted by [2024 c. 3 Sch. 1 para. 9\(4\)\(b\)](#)
- s. 1131(4) inserted by [2024 c. 3 Sch. 1 para. 9\(5\)\(b\)](#)
- s. 1132A inserted by [2024 c. 3 Sch. 1 para. 9\(6\)](#)
- s. 1134(3)(e) substituted for s. 1134(3)(d) by [2024 c. 3 Sch. 1 para. 9\(8\)\(e\)\(iv\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)
- s. 1138A1138B inserted by [2024 c. 3 Sch. 1 para. 9\(12\)](#)
- s. 1140A inserted by [2024 c. 3 Sch. 1 para. 9\(13\)](#)
- s. 1142C inserted by [2024 c. 3 Sch. 1 para. 9\(16\)](#)
- s. 1142D inserted by [2024 c. 3 Sch. 1 para. 9\(17\)](#)
- s. 1142E inserted by [2024 c. 3 Sch. 1 para. 9\(18\)](#)
- s. 1179DT(a) omitted by [2024 c. 3 Sch. 1 para. 12\(2\)\(a\)](#)
- s. 1179FL(a) omitted by [2024 c. 3 Sch. 1 para. 12\(2\)\(b\)](#)
- s. 1217FA(2)(bb) inserted by [2024 c. 3 Sch. 3 para. 2\(2\)\(c\)](#)
- s. 1217JA(3)-(10) inserted by [2024 c. 3 Sch. 3 para. 7\(3\)](#)
- s. 1217KB(4A) inserted by [2024 c. 3 Sch. 3 para. 9](#)
- s. 1217KD and cross-heading inserted by [2024 c. 3 Sch. 3 para. 10\(1\)](#)
- s. 1217QA(1)(a)(b) inserted by [2024 c. 3 Sch. 4 para. 2\(1\)](#)
- s. 1217RF(1)(c) and word inserted by [2024 c. 3 Sch. 4 para. 7\(2\)\(b\)](#)
- s. 1217RF(2)(za)(zb) inserted by [2024 c. 3 Sch. 4 para. 8\(1\)\(b\)](#)
- s. 1217RF(2)(za) omitted by [2024 c. 3 Sch. 1 para. 12\(7\)](#)
- s. 1217RF(3)-(10) inserted by [2024 c. 3 Sch. 4 para. 7\(3\)](#)
- s. 1217RI(4A) inserted by [2024 c. 3 Sch. 4 para. 9](#)
- s. 1217RKA and cross-heading inserted by [2024 c. 3 Sch. 4 para. 10\(1\)](#)
- s. 1218ZAA(4A) inserted by [2024 c. 3 Sch. 5 para. 2\(1\)](#)

- s. 1218ZCG(1)(ba) inserted by 2024 c. 3 Sch. 5 para. 6(2)
- s. 1218ZCG(2A)-(2H) inserted by 2024 c. 3 Sch. 5 para. 6(3)
- s. 1218ZCJ(4A) inserted by 2024 c. 3 Sch. 5 para. 8
- s. 1310(4)(zc) inserted by 2024 c. 3 Sch. 1 para. 12(9)(b)