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**Changes to legislation:** Finance Act 2011, SCHEDULE 7 is up to date with all changes known to be in force on or before 20 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

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## SCHEDULES

### SCHEDULE 7

Section 34

#### INVESTMENT COMPANIES

##### *Amendments of Chapter 4 of Part 2 of CTA 2010*

- 1 (1) Section 6 of CTA 2010 (UK resident company operating in sterling and preparing accounts in another currency) is amended as follows.
- (2) In subsection (1), after “company” insert “ (other than a UK resident investment company) ”.
- (3) After that subsection insert—
- “(1A) This section also applies if, for a period of account, a UK resident investment company—
- (a) in accordance with generally accepted accounting practice, prepares its accounts in a currency other than sterling, and
- (b) either—
- (i) has sterling as its designated currency for that period of account (see sections 9A and 9B), or
- (ii) if it does not have a designated currency for that period, in those accounts identifies sterling as its functional currency in accordance with generally accepted accounting practice.”
- 2 (1) Section 7 of that Act (UK resident company operating in currency other than sterling and preparing accounts in another currency) is amended as follows.
- (2) In subsection (1), in paragraph (a), after “company” insert “ (other than a UK resident investment company) ”.
- (3) After that subsection insert—
- “(1A) This section also applies if, for a period of account, a UK resident investment company—
- (a) in accordance with generally accepted accounting practice, prepares its accounts in one currency,
- (b) either—
- (i) has another currency as its designated currency for that period (see sections 9A and 9B), or
- (ii) if it does not have a designated currency for that period, in those accounts identifies another currency as its functional currency in accordance with generally accepted accounting practice, and
- (c) that other currency is not sterling.”
- (4) In subsection (2), in step 1, for “functional” substitute “ relevant ”.

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- (5) In subsection (3) for “functional” substitute “ relevant ”.
- (6) After that subsection insert—
- “(4) In subsections (2) and (3) “the relevant currency” means the currency other than sterling referred to in subsection (1)(c) or (1A)(c).”
- 3 After section 9 of that Act insert—

**“9A Designated currency of a UK resident investment company**

- (1) The designated currency of a UK resident investment company is the currency which the company elects as its designated currency.
- (2) A company (“X”) may elect a currency as its designated currency only if—
- (a) at the time the election is made condition A or B is met, or
  - (b) the election is made in the period (if any) beginning with the company's incorporation and ending immediately before its first accounting period.
- (3) But an election made under subsection (2)(b) is void if, at the time X's first accounting period begins, neither condition A nor condition B is met.
- (4) Condition A is that a significant proportion of X's assets and liabilities are denominated in the currency.
- (5) Condition B is that—
- (a) the currency is the functional currency of another company, and
  - (b) it is reasonable to assume that the two companies will meet the consolidation condition.
- (6) X and another company (“Y”) meet the consolidation condition at any time if—
- (a) for a period which includes that time, the financial results of X are comprised in financial statements of Y's group prepared in accordance with acceptable accounting practice, or
  - (b) if no financial statements of the group are prepared in accordance with acceptable accounting practice for a period which includes that time, the financial results of X would be comprised in financial statements of Y's group for a period which includes that time if such statements were prepared in accordance with international accounting standards.
- (7) In subsection (6)—
- “financial statements of the group” means consolidated financial statements of Y and its subsidiaries (within the meaning of section 351 of TIOPA 2010),
- “Y's group” means a group of which Y is the ultimate parent (and for this purpose “group” and “ultimate parent” have the same meaning as they have for the purposes of Part 7 of that Act (see sections 338 and 339)), and
- “acceptable accounting practice” means—
- (a) international accounting standards,

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- (b) UK generally accepted accounting practice, or
  - (c) accounting practice which is generally accepted in the country in which Y is resident.
- (8) A currency is the designated currency of X for a period of account if the election in respect of that currency has effect throughout that period (see section 9B).

### **9B Period for which an election under section 9A has effect**

- (1) An election under section 9A(2)(a) takes effect at the beginning of the day specified in the election as the day on which it takes effect (which must be later than the day on which the election is made).
- (2) An election under section 9A(2)(b) is treated as taking effect at the time of X's incorporation.
- (3) An election under section 9A(2)(a) may be revoked by notice of the revocation being given to an officer of Revenue and Customs before the election takes effect.
- (4) Subject to that, an election has effect until immediately before—
  - (a) the day on which another election by X takes effect, or
  - (b) the day on which a revocation event occurs,(whichever first occurs).
- (5) A revocation event occurs in a period of account (other than a period to which subsection (6) applies) if, at any time during that period—
  - (a) it is not the case that a significant proportion of X's assets and liabilities are denominated in the currency to which the election relates, and
  - (b) it is not the case that the currency is the functional currency of another company which, with X, met the consolidation condition (within the meaning of section 9A(6)) at any time during the preceding period of account.
- (6) Where the election is made under section 9A(2)(b), a revocation event occurs in the period of account in which X's first accounting period begins only if—
  - (a) Condition A and not Condition B is satisfied at the beginning of that accounting period, and
  - (b) the condition in subsection (5)(a) is met at any time during the period of account but after the first accounting period begins.
- (7) Subsections (8) and (9) apply if a period of account of X (“the straddling period of account”) begins before, and ends on or after, the day on which—
  - (a) an election under section 9A(2)(a) takes effect, or
  - (b) a revocation event occurs.
- (8) It is to be assumed, for the purposes of this Chapter, that the straddling period of account consists of two separate periods of account—
  - (a) the first beginning with the straddling period of account and ending immediately before that day, and

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(b) the second beginning with that day and ending with the straddling period of account,  
and X's profits and losses are to be computed accordingly for the purposes of corporation tax.

(9) For those purposes, it is to be assumed—

- (a) that X prepares its accounts for each of the two periods in the same currency, and otherwise on the same basis, as it prepares its accounts for the straddling period of account, and
- (b) that if the accounts for the straddling period of account, in accordance with generally accepted accounting practice, identify a currency as X's functional currency, the accounts for each of the two periods do likewise.

(10) In this section references to “X” are to be construed in accordance with section 9A.”

4 In section 17 of that Act (interpretation of Chapter 4 of Part 2), after subsection (3) insert—

“(3A) In this Chapter “investment company” means a company whose business consists wholly or mainly in the making of investments and the principal part of whose income is derived from those investments.”

#### *Amendments of ICTA*

5 In Schedule 24 to ICTA (assumptions for calculating chargeable profits, creditable tax and corresponding United Kingdom tax of foreign companies), in paragraph 4 (reliefs under Corporation Tax Acts dependent upon the making of a claim or election), after sub-paragraph (2) insert—

“(2B) For the purposes of sub-paragraph (1) an election under section 9A of CTA 2010 (designated currency of a UK resident investment company) is not to be regarded as an election upon which relief under the Corporation Tax Acts is dependent, and sub-paragraph (2)(b) does not apply in relation to such an election.

(2C) But if, by notice given to an officer of the Board, the United Kingdom resident company which has or, as the case may be, any two or more United Kingdom resident companies which together have, a majority interest in the company so request, the company shall be assumed (subject to section 9A(2) of CTA 2010) to have made an election under section 9A of that Act in the form specified in the notice (and accordingly that section and section 9B of that Act apply to determine the effect (if any) of that election).”

#### *Amendments of CTA 2009*

6 (1) Section 328 of CTA 2009 (loan relationships: exchange gains and losses) is amended as follows.

(2) In subsection (2), after “subsections” insert “ (2A), ”.

(3) After that subsection insert—

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- “(2A) Subsection (1) does not apply to an exchange gain or loss of an investment company (within the meaning of section 17 of CTA 2010) which would not have arisen but for a change in the company's functional currency (within the meaning of section 17(4) of that Act) as between—
- (a) the period of account of the company in which the gain or loss arises, and
  - (b) a period of account of the company ending in the 12 months immediately preceding that period.”
- 7 (1) Section 606 of that Act (derivative contracts: exchange gains and losses) is amended as follows.
- (2) In subsection (2), after “subsections” insert “ (2A), ”.
- (3) After that subsection insert—
- “(2A) Subsection (1) does not apply to an exchange gain or loss of an investment company (within the meaning of section 17 of CTA 2010) which would not have arisen but for a change in the company's functional currency (within the meaning of section 17(4) of that Act) as between—
- (a) the period of account of the company in which the gain or loss arises, and
  - (b) a period of account of the company ending in the 12 months immediately preceding that period.”

#### *Commencement*

- 8 (1) The amendments made by this Schedule have effect in relation to periods of account beginning on or after 1 April 2011.
- (2) An election may be made or revoked for the purposes of section 9A of CTA 2010 (as inserted by paragraph 3) at any time on or after 9 December 2010.
- (3) Where an election made by a company before 27 June 2011 does not specify the day on which it takes effect, the election is to be treated as if it specified the first day of the first period of account of the company beginning after the election was made.
- (4) An election made before the day on which this Act is passed must be made by notice in writing to an officer of Revenue and Customs.
- (5) Schedule 1A to TMA 1970 does not apply to an election made before the day on which this Act is passed.

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

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

- Sch. 23 para. 45(1)(ia) inserted by [2017 c. 10 Sch. 11 para. 6\(3\)](#)
- Sch. 23 para. 2(1A) inserted by [S.I. 2019/397 reg. 2\(2\)](#) (This amendment not applied to legislation.gvo.uk. Amending Regulations revoked on IP completion day by S.I. 2020/1544, regs. 1, 8; S.I. 2020/1641, reg. 2, Sch.)
- Sch. 23 para. 15A inserted by [S.I. 2019/397 reg. 2\(3\)](#) (This amendment not applied to legislation.gvo.uk. Amending Regulations revoked on IP completion day by S.I. 2020/1544, regs. 1, 8; S.I. 2020/1641, reg. 2, Sch.)