

COURT OF APPEAL CONSIDERS CORPORATION TAX DEDUCTIBILITY OF 'DERECOGNISED' DERIVATIVE CONTRACTS

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Legal Briefings

In *The Union Castle Mail Steamship Company Ltd v HMRC & Ors* [2020] EWCA Civ 547, the Court of Appeal considered whether corporation tax relief was available for losses arising from the “derecognition” of derivative contracts. This derecognition was required for accounting purposes due to a bonus share issue to shareholders giving them the right to a sum equal to a percentage of the pay-out from the contracts via a dividend.

The Court held that the amount claimed as a “loss” was not a loss which fell within the relevant legislation for computing corporation tax on derivative contracts. The principle basis for this judgment was that the claimed loss did not arise from the derivative contracts but from the bonus issue of shares.

The Court’s reasoning in its judgment provides an important insight into the judicial approach to legislative provisions that refer to accounting matters. In particular, it refutes any suggestion that Parliament had delegated to accountants the authority to determine taxable profits and allowable losses from derivative contracts.

Our analysis of this decision can be accessed [here](#).

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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