

CT loss restriction: administrative requirements for the deductions allowance

CTA10/S269ZR to S269ZZB

For accounting periods ending on or after 1 April 2017, companies of all sizes may have to fulfil some administrative requirements in relation to the restriction on relief for carried-forward losses at CTA10/PART7ZA. These requirements concern the deductions allowance, which plays a part in the restriction (CTA10/S269ZR, S269ZW).

The restriction at Part 7ZA only limits the amount of carried-forward losses a company can use where the company's profits are above the amount of its deductions allowance. The deductions allowance is what prevents smaller companies and groups from having their use of losses affected by the restriction.

This means that the requirements set out below, concerning the deductions allowance itself, can affect any company that wishes to deduct carried-forward losses from its profits, so long as those losses are within the scope of the restriction. Most carried-forward losses are within the scope. Further details about this and about the restriction more generally are provided in [draft guidance published on 31 July 2018](#).

As a result, although most smaller companies and groups are unlikely to have their use of carried-forward losses affected by the restriction, they may still have to fulfil administrative requirements.

Companies or groups with no carried-forward losses

A company will not have to fulfil any administrative requirements relating to the restriction if that company is not in a group and either

- does not have any losses carried forward from earlier accounting periods, or
- does have losses carried forward from earlier accounting periods, but is not deducting any of those losses from its profits of the current period.

The same applies for groups if, in the current accounting period, no members of the group are utilising any losses carried forward from earlier accounting periods.

Companies with carried-forward losses and not in a group

The following applies for a company that

- has losses carried forward from an earlier accounting period,
- wishes to deduct some or all of those carried-forward losses from its profits of the current period, and
- is not in a group, as defined at CTA10/S269ZZB ([draft guidance](#) p36). (If the company is a member of a group, the material under '[Groups](#)' and '[Companies with carried-forward losses that are members of a group](#)', below, will apply.)

The company will need to specify the amount of its deductions allowance in its return (CTA10/S269ZZ). It can do this, for example, in its tax computations submitted as part of its return.

The amount of the company's deductions allowance will generally be £5 million per 12 month accounting period beginning on or after 1 April 2017 (CTA10/S269ZW).

There is a further requirement if the company has carried forward losses of a type that can only be deducted from a particular type of profit. Where this is the case, the company will need to show how it has divided its deductions allowance between its trading and non-trading profits (CTA10/S269ZB(7), S269ZC(5)) ([draft guidance](#) p26).

In practice, this will apply if the company has carried-forward losses of any of the following types:

- Non-trading loan relationship deficits (NLRDs) carried forward for deduction from non-trading profits only (CTA09/S457(3) or S463H(5)),
- Trading losses carried forward for deduction from profits of the same trade only (CTA10/S45(4)(b) or S45B), and
- Deductions from trading profits under CTA10/S303B(4) or S303D(5) for excess carried-forward non-decommissioning losses of a ring fence trade in the oil and gas industry, where certain conditions are met (CTA10/S269ZB(3)(b) and (4)).

The company should state the amount of its trading profits deductions allowance and the amount of its non-trading profits deductions allowance, along with the total amount of its deductions allowance, in its return. It can do this in its tax computations submitted as part of its return.

Groups

The following applies where:

- Two or more companies are members of a group, as defined at CTA10/S269ZZB ([draft guidance](#) p36), and
- One or more companies in the group has losses carried forward from an earlier accounting period, and will be deducting some or all of those losses from its profits of the current period or surrendering the losses to another company in the group as group relief for carried-forward losses.

The group shares a single deductions allowance, called the group deductions allowance (CTA10/S269ZS(2)-(4)). The group can allocate the group deductions allowance amongst its members as it sees fit.

To do this, all members of the group need to nominate a nominated company (S269ZS(1), [draft guidance](#) p38). The nomination does not need to be submitted to HMRC but does need to be available if needed, for example in support of an enquiry.

The amount of the group deductions allowance is determined with reference to the nominated company's accounting period (S269ZS(2)-(4), [draft guidance](#) p39). If the nomination had effect throughout the nominated company's accounting period, then the group deductions allowance is generally £5 million. However, this is proportionally reduced if the nominated company's accounting period is less than 12 months or if the accounting period began before and ended after 1 April 2017.

To allocate the group deductions allowance amongst members of the group, the nominated company must submit a group allowance allocation statement for each of its accounting periods in which it is the nominated company (CTA10/S269ZT(1), [draft guidance](#) p40). It can submit the statement in PDF format as an attachment to its tax return. There is a template for the statement [at the end of this guidance](#).

The nominated company lists one or more group companies on the group allowance allocations statement (the listed companies) (CTA10/S269ZV(3)(e)) and allocates the group deductions allowance between these companies.

There are no set proportions in which the deductions allowance has to be allocated amongst the listed companies, however, there is an overall maximum amount that can be allocated to a particular company for its accounting period (S269ZV(5), [draft guidance](#) p43).

The group allowance allocation statement must be signed by the appropriate person in relation to the nominated company (S269ZV(2)). An appropriate person is a proper officer of the company or another person who has the authority of the company to act on its behalf (S269ZS(9)). Proper officer takes the meaning given at TMA70/S108(3) and (4).

Requirements for individual companies in the group are set out below.

Companies with carried-forward losses that are members of a group

This applies to any individual company that is a member of a group.

The company's deductions allowance for an accounting period is whatever is allocated to it on the group allowance allocation statement or statements that relate to that period (CTA10/S269ZR, [draft guidance](#) p35)

The exception to this is if the company is only in a group for part of its accounting period, in which case it is entitled to an appropriate amount of non-group deductions allowance (S269ZR, [draft guidance](#) p34).

The company should state the total amount of its deductions allowance for the accounting period on its tax return for that period (CTA10/S269ZZ).

If the company has carried forward losses of a type that can only be deducted from a particular type of profit, it will need to show how it has divided its deductions allowance between its trading and non-trading profits (CTA10/S269ZB(7), S269SC(5)). This is the same as for [companies that are not in a group](#).

CT loss reform: template for the group allowance allocation statement

This template may be used by the nominated company (CTA10/S269ZS) for a group (CTA10/S269ZZB) to allocate the group deductions allowance (S269ZS) to companies within the group.

The nominated company can submit this template to HMRC as an attachment to its Company Tax return.

Using this template is optional and a group may submit the statement in another format providing it includes all the information required under CTA10/S269ZV.

Further guidance is available at

<https://www.gov.uk/government/publications/reform-to-corporation-tax-loss-relief-draft-guidance>

Nominated company

Nominated company name		
Nominated company UTR		
Accounting period of the nominated company to which this statement relates	Start date	
	End Date	
Dates in the accounting period for which the nomination had effect	Start date	
	End Date	
Group deductions allowance available for allocation		

Details of group deductions allowance allocation

The accounting periods for all group companies listed overleaf are concurrent:

The accounting periods for all group companies listed overleaf are 12 months:

The companies listed overleaf were members of the group for the whole of the nominated company's accounting period:

For any of the companies listed overleaf that left or joined the group during the nominated company's accounting period, please provide the company name, UTR, and the dates in the nominated company's accounting period during which the listed company was a member of the group. Please provide this information in the box below or, if necessary, on an additional sheet attached to this form.

Please provide details of group deductions allowance allocation:

Company name	UTR	AP start date	AP end date	Group deductions allowance allocated	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
				£	
			Total	£	

If there are more companies in this list, please attach this information in a sheet with a similar format to the above.

Please provide any further information necessary to identify the group to which this statement relates:

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Declaration

This should be signed by the appropriate person in relation to the nominated company (CTA10/S269ZV(2)) ('[Groups](#)', above).

To the best of my knowledge the information given in this form, including information given on any attached sheets, is correct and complete.

Signature:	
Date:	
Name (in capitals):	
State in what capacity you complete this form:	

Each individual company in the group should state the amount of that company's deductions allowance in its tax return (CTA10/S269ZZ). This should include the amounts of the trading profits deductions allowance and the non-trading profits deductions allowance where relevant.

If a company claims a deductions allowance in excess of the amount to which it is entitled in accordance with CTA10/S269ZR, that company may be subject to penalties for an incorrect return.