

Amendment 16 to Clause 18 and Schedule 2: Temporary extension of periods to which trade losses may be carried back

Summary

1. This amendment to Schedule 2 removes an unnecessary reference to UK furnished holiday lettings businesses.

Details of the amendment

2. Paragraph 1(1) of Schedule 2 provides that a person who has made a loss in a trade for the tax year 2020-21 may make a claim under the paragraph if (amongst other conditions) the person is entitled to make a claim under section 64 of the Income Tax Act 2007 (ITA 2007) in respect of some or all of the loss.
3. Paragraph 2(1) provides the same effect as paragraph 1(1) for the tax year 2021-22.
4. Paragraph 3(5) provides for UK furnished holiday lettings businesses to be treated as trades for the purposes of paragraphs 1 and 2.
5. Individuals are prevented from making claims under section 64 ITA 2007 for losses arising from UK furnished holiday lettings businesses, due to section 127(3A) ITA 2007.
6. Amendment 16 omits paragraph 3(5) from the Bill, as a person cannot be entitled to make a claim under section 64 of ITA 2007 for a loss arising from a UK furnished holiday lettings business for the tax year 2020-21 or 2021-22, and so is ineligible to make a claim for relief of that loss under paragraph 1 or 2.

Background note

7. Part 1 of Schedule 2 extends the trade loss carry back rules for income tax. This has been introduced in response to the COVID-19 pandemic to assist businesses that have suffered economic harm as a result of restrictions placed upon them. This provides a cash flow benefit to affected businesses by providing additional relief for trading losses.
8. Eligibility for extended relief is subject to a pre-existing entitlement to “sideways” loss relief under section 64 of ITA 2007. Individuals are not entitled to this relief for losses of UK furnished holiday lettings businesses, therefore the provision that treats such businesses as trades for the purpose of extended relief is unnecessary.