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1 Relief for carried-forward losses

Schedule 1 makes provision about corporation tax relief for losses and other amounts that are carried forward.

2 Loss relief: counteraction of avoidance arrangements

- (1) Any loss-related tax advantage that would (in the absence of this section) arise from relevant tax arrangements is to be counteracted by the making of such adjustments as are just and reasonable.
- (2) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of—
 - (a) an assessment,
 - (b) the modification of an assessment,
 - (c) amendment or disallowance of a claim,or otherwise.
- (3) For the purposes of this section arrangements are “relevant tax arrangements” if conditions A and B are met.
- (4) Condition A is that the purpose, or one of the main purposes, of the arrangements is to obtain a loss-related tax advantage.
- (5) Condition B is that it is reasonable to regard the arrangements as circumventing the intended limits of relief under the relevant provisions or otherwise exploiting shortcomings in the relevant provisions.
- (6) In determining whether or not condition B is met all the relevant circumstances are to be taken into account, including whether the arrangements include any steps that—
 - (a) are contrived or abnormal, or
 - (b) lack a genuine commercial purpose.
- (7) In this section “loss-related tax advantage” means a tax advantage as a result of a deduction (or increased deduction) under a provision mentioned in subsection (8).
- (8) The provisions are—
 - (a) sections 37, 45, 45A, 45B and 45F of CTA 2010 (deductions in respect of trade losses);
 - (b) section 62(5) of CTA 2010 (losses of a UK property business);
 - (c) Part 5 of CTA 2010 (group relief);
 - (d) Part 5A of CTA 2010 (group relief for carried-forward losses);
 - (e) sections 457, 459, 461, 462, 463B and 463G of CTA 2009 (non-trading deficits from loan relationships);
 - (f) section 753 of CTA 2009 (non-trading losses on intangible fixed assets);

- (g) section 1219 of CTA 2009 (management expenses etc);
- (h) section 124B of FA 2012 (excess carried-forward BLAGAB trade losses).

(9) In this section –

“arrangements” includes any agreement, understanding, scheme transaction or series of transactions (whether or not legally enforceable);

“tax advantage” has the meaning given by section 1139 of CTA 2010.

- (10) This section has effect in relation to a tax advantage that relates (or would apart from this section relate) to an accounting period beginning on or after 1 April 2017 (regardless of when the arrangements in question were made).
- (11) Where a tax advantage would (apart from this subsection) relate to an accounting period beginning before 1 April 2017 and ending on or after that date (“the straddling period”) –
- (a) so much of the straddling period as falls before 1 April 2017, and so much of that period as falls on or after that date, are treated as separate accounting periods, and
 - (b) the extent (if any) to which the tax advantage relates to the second of those accounting periods is to be determined by apportioning amounts –
 - (i) in accordance with section 1172 of CTA 2010 (time basis), or
 - (ii) if that method would produce a result that is unjust or unreasonable, on a just and reasonable basis.

SCHEDULES

SCHEDULE 1

Section 1

RELIEF FOR CARRIED-FORWARD LOSSES

PART 1

AMENDMENT OF GENERAL RULES ABOUT CARRYING FORWARD LOSSES

Non-trading deficits from loan relationships

- 1 Part 5 of CTA 2009 (loan relationships) is amended in accordance with paragraphs 2 to 4.
- 2 In the heading of Chapter 16 (non-trading deficits) at the end insert “: pre-1 April 2017 deficits and charities”.
- 3 In section 456 (introduction to Chapter 16) in subsection (1)–
 - (a) after “if” insert “–
 - (a) ”, and
 - (b) at the end insert “, and
 - (b) either –
 - (i) that accounting period begins before 1 April 2017, or
 - (ii) at the end of that accounting period the company is a charity”.
- 4 After section 463 insert –

“CHAPTER 16A

NON-TRADING DEFICITS: POST 1 APRIL 2017 DEFICITS

463A Introduction to Chapter

- (1) This Chapter applies if –
 - (a) for any accounting period beginning on or after 1 April 2017 a company has a non-trading deficit from its loan relationships under section 301(6), and
 - (b) at the end of that accounting period the company is not a charity.
- (2) In this Chapter “the deficit” and “the deficit period” mean that deficit and that period respectively.
- (3) Sections 463B and 463C deal with claims to set off the deficit against profits of the deficit period or earlier periods.

- (4) Sections 463D to 463F deal with the consequences of such claims.
- (5) Sections 463G to 463I provide for so much of the deficit as is not –
 - (a) set off against profits under section 463B, or
 - (b) surrendered as group relief under Part 5 of CTA 2010, to be carried forward to later accounting periods.

463B Claim to set off deficit against profits of deficit period or earlier periods

- (1) The company may make a claim for the whole or part of the deficit –
 - (a) to be set off against any profits of the company (of whatever description) for the deficit period, or
 - (b) to be carried back to be set off against profits for earlier accounting periods.
- (2) No claim may be made under subsection (1) in respect of so much of the deficit as is surrendered as group relief under Part 5 of CTA 2010.
- (3) For time limits and other provisions applicable to claims under subsection (1), see section 463C.
- (4) For what happens when a claim is made under subsection (1)(a), see section 463D.
- (5) For what happens when a claim is made under subsection (1)(b), and the profits available for relief when such a claim is made, see sections 463E and 463F.

463C Time limits for claims under section 463B(1)

- (1) A claim under section 463B(1) must be made within –
 - (a) the period of 2 years after the deficit period ends, or
 - (b) such further period as an officer of Revenue and Customs allows.
- (2) Different claims may be made in respect of different parts of a non-trading deficit for any deficit period.
- (3) But no claim may be made in respect of any part of a deficit to which another such claim relates.

463D Claim to set off deficit against profits for the deficit period

- (1) This section applies if a claim is made under section 463B(1)(a) for the whole or part of the deficit to be set off against profits for the deficit period.
- (2) The amount of the deficit to which the claim relates must be set off against the profits of the company for the deficit period which are identified in the claim.
- (3) Those profits are reduced accordingly.
- (4) Relief under this section must be given before relief is given against profits for the deficit period –
 - (a) under section 37 or 62(1) to (3) of CTA 2010 (deduction of losses from total profits for the same or earlier accounting periods), or

- (b) as a result of a claim under section 463B(1)(b) (carry-back) in respect of a deficit for a later period.
- (5) No relief may be given under this section against ring fence profits of the company within the meaning of Part 8 of CTA 2010 (oil activities).

463E Claim to carry back deficit to earlier periods

- (1) This section applies if a claim is made under section 463B(1)(b) for the whole or part of the deficit to be carried back to be set off against profits for accounting periods before the deficit period.
- (2) The claim has effect only if it relates to an amount no greater than the lesser of—
 - (a) so much of the deficit as is not an amount in relation to which a claim is made under section 463B(1)(a), and
 - (b) the total amount of the profits available for relief under this section.
- (3) Section 463F explains which profits are so available.
- (4) The amount to which the claim relates is set off against those profits by treating them as reduced accordingly.
- (5) If those profits are profits for more than one accounting period, the relief is applied by setting off the amount to which the claim relates against profits for a later period before setting off any remainder of that amount against profits for an earlier period.

463F Profits available for relief under section 463E

- (1) The profits available for relief under section 463E are the amounts which (apart from the relief) would be charged under this Part as profits for accounting periods ending within the permitted period after giving every prior relief.
- (2) In this section—
 - “the permitted period” means the period of 12 months immediately before the deficit period, and
 - “prior relief” means a relief which subsection (5) provides must be given before relief under section 463E.
- (3) If an accounting period ending within the permitted period begins before it, only a part of the amount which (apart from the relief) would be chargeable under this Part for the period, after giving every prior relief, is available for relief under section 463E.
- (4) That part is so much as is proportionate to the part of the accounting period in the permitted period.
- (5) The reliefs which must be given before relief under section 463E are—
 - (a) relief as a result of a claim under section 459(1)(a) or section 463B(1)(a) (claim for deficit to be set off against total profits for the deficit period),
 - (b) relief in respect of a loss or deficit incurred or treated as incurred in an accounting period before the deficit period,

- (c) relief under Part 6 of CTA 2010 (charitable donations relief in respect of payments made wholly and exclusively for the purposes of a trade),
- (d) relief under section 37 of CTA 2010 (losses deducted from total profits of the same or an earlier accounting period), and
- (e) if the company is a company with investment business for the purposes of Part 16 (companies with investment business) –
 - (i) any deduction in respect of management expenses under section 1219 (expenses of management of a company’s investment business),
 - (ii) relief under Part 6 of CTA 2010 in respect of payments made wholly and exclusively for the purposes of its business, and
 - (iii) any allowance under Part 2 of CAA 2001 (plant and machinery allowances).

463G Carry forward of unrelieved deficit

- (1) This section applies if Conditions A and B are met.
- (2) Condition A is that –
 - (a) any amount of the deficit (“the unrelieved amount”) is not –
 - (i) set off against profits on a claim under section 463B(1), or
 - (ii) surrendered as group relief under Part 5 of CTA 2010.
- (3) Condition B is that it is not the case –
 - (a) that the company ceased to be a company with investment business in the deficit period, or
 - (b) (if the company was a company with investment business immediately before the beginning of the deficit period) that its investment business became small or negligible in the deficit period.
- (4) The unrelieved amount is carried forward to the first accounting period after the deficit period.
- (5) The company may make a claim for the whole or part of the unrelieved amount to be set off against the company’s total profits for the first accounting period after the deficit period.
- (6) If a claim is made under subsection (5) –
 - (a) the unrelieved amount, or the part of it to which the claim relates, must be set off against the company’s total profits for the first accounting period after the deficit period, and
 - (b) those profits are reduced accordingly.
- (7) No claim may be made under subsection (5) in respect of so much of the unrelieved amount as is surrendered under Part 5A of CTA 2010 (group relief for carried-forward losses).
- (8) A claim under subsection (5) must be made within –
 - (a) the period of two years after the end of the first accounting period after the deficit period, or
 - (b) such further period as an officer of Revenue and Customs allows.

- (9) In this Chapter –
- (a) “company with investment business” has the same meaning as in Part 16 (see section 1218B);
 - (b) references to a company’s investment business are to be construed in accordance with section 1219(2).

463H Where an investment business becomes small or negligible

- (1) Subsections (3) to (7) apply if –
- (a) section 463G would apply but for the fact that the company’s investment business became small or negligible in the accounting period mentioned in subsection (3)(b) of that section, or
 - (b) subsections (4) to (8) of section 463G would apply by virtue of section 463I but for the fact that the company’s investment business became small or negligible in the accounting period mentioned in section 463I(1)(c)(ii).
- (2) In this section the “unrelieved amount” –
- (a) in a case within subsection (1)(a), is to be interpreted in accordance with section 463G(2);
 - (b) in a case within subsection (1)(b) means so much of the deficit mentioned in section 463I(1)(a) as is not set off as mentioned in section 463I(1)(b)(i) or surrendered as mentioned in section 463I(1)(b)(ii).
- (3) The unrelieved amount is carried forward to the next accounting period (“period 2”) after the period mentioned in subsection (1)(a) or (1)(b).
- (4) So much of the unrelieved amount as is not the subject of a claim under subsection (6) must be set off against the non-trading profits of the company for period 2.
- (5) Those profits are reduced accordingly.
- (6) The company may make a claim for relief under subsection (4) not to be given in period 2 for the unrelieved amount or so much of it as is specified in the claim.
- (7) A claim under subsection (6) is effective if, and only if, it is made –
- (a) within the period of two years after the end of period 2, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (8) Subsection (9) applies if any amount is carried forward under subsection (3) to an accounting period (“the carry forward period”) and –
- (a) cannot be set off under subsection (4) against non-trading profits of that period, or
 - (b) is the subject of a claim under subsection (6).
- (9) If the company continues to be a company with investment business throughout the carry forward period, subsections (3) to (7) have effect as if –
- (a) references to the unrelieved amount were to the amount mentioned in subsection (8), and

- (b) references to the period mentioned in the subsection (1)(a) or (1)(b) were to the carry forward period.
- (10) In this section “non-trading profits”, in relation to a company, means so much of the company’s profits as does not consist of trading income for the purposes of section 37 of CTA 2010 (deduction of trading losses from total profits of the same or an earlier period).

463I Re-application of section 463G if any deficit remains after previous application

- (1) This section applies if—
 - (a) any amount of the deficit is carried forward to an accounting period (“the later period”) of the company under section 463G(4),
 - (b) any of that amount is not—
 - (i) set off against the company’s total profits for the later period on a claim under section 463G(5), or
 - (ii) surrendered as group relief for carried-forward losses under Part 5A of CTA 2010, and
 - (c) it is not the case—
 - (i) that the company ceased to be a company with investment business in the later period, or
 - (ii) (if the company was a company with investment business immediately before the beginning of the later period) that its investment business became small or negligible in the later period.
- (2) Subsections (4) to (8) of section 463G apply as if—
 - (a) references to the unrelieved amount were to so much of the amount of the deficit carried forward to the later period as is not set off or surrendered as mentioned in subsection (1)(b), and
 - (b) references to the deficit period were to the later period.”

Non-trading losses on intangible fixed assets

- 5 (1) Section 753 of CTA 2009 (treatment of non-trading loss) is amended as follows.
- (2) In subsection (3) (carry forward of non-trading loss)—
 - (a) in the words before paragraph (a), after “not” insert “, in any period (“the reference period”)”;
 - (b) in the words after paragraph (b) for “debit of” substitute “loss on intangible fixed assets for”.
 - (3) After subsection (3) insert—
 - “(4) But subsection (3) does not apply if the company ceased to be a company with investment business in the reference period.
 - (5) In the application of subsection (3) to an amount of a loss previously carried forward under that subsection, the reference in paragraph (b) to group relief under Part 5 of CTA 2010 is to be read as a reference to group relief for carried-forward losses under Part 5A of that Act.

- (6) In this section “company with investment business” has the same meaning as in Part 16 (see section 1218B).”

Expenses of management of investment business etc

- 6 (1) Section 1223 of CTA 2009 (carrying forward expenses of management and other amounts) is amended as follows.
- (2) In subsection (1)(b) –
- (a) for “amounts” substitute “an amount”, and
- (b) after “(2)(c),” insert “ –
- (i) a claim relating to the whole of the amount has not been made under subsection (3B), or”.
- (3) After subsection (3) insert –
- “(3A) But subsection (3) does not apply in relation to so much of the excess as is surrendered as group relief under Part 5 of CTA 2010 or as group relief for carried-forward losses under Part 5A of that Act.
- (3B) A deduction in respect of the excess may be made under section 1219 for the next accounting period only on the making by the company of a claim.
- (3C) A claim may relate to the whole of the excess or to part of it only.
- (3D) A claim must be made –
- (a) within the period of two years after the end of the next accounting period, or
- (b) within such further period as an officer of Revenue and Customs may allow.
- (3E) Subsection (1A) of section 1219 does not apply in relation to a deduction in respect of the excess made for the next accounting period.”

Trading losses

- 7 Chapter 2 of Part 4 of CTA 2010 (trade losses) is amended in accordance with paragraphs 8 to 11.
- 8 In section 36 (introduction to Chapter) for subsection (1) substitute –
- “(1) This Chapter provides relief for a loss made by a company in a trade (see sections 37 to 47)”.
- 9 For the italic heading before section 37 substitute –
- “Relief in loss-making period and carry back relief”.*
- 10 (1) Section 45 (carry forward of trade loss against subsequent trade profits) is amended as follows.
- (2) In the heading, after “of” insert “pre-1 April 2017”.
- (3) In subsection (1) after “accounting period” insert “beginning before 1 April 2017”.

- (4) In subsection (4)(b) for “cannot be” substitute “is not”.
- (5) After subsection (4) insert –
- “(4A) But the company may make a claim that the profits of the trade of an accounting period specified in the claim are not to be reduced by the unrelieved loss, or are not to be reduced by the unrelieved loss by more than an amount specified in the claim.
- (4B) A claim under subsection (4A) may specify an accounting period only if it begins on or after 1 April 2017.
- (4C) A claim under subsection (4A) is effective if, and only if, it is made –
- (a) within the period of two years after the end of the accounting period specified in the claim, or
- (b) within such further period as an officer of Revenue and Customs may allow.”; and
- (6) In subsection (5) for “section” (in the second place it occurs) substitute “, sections 45B, 45F and”.

11 After section 45 insert –

“45A Carry forward of post-1 April 2017 trade loss against total profits

- (1) This section applies if –
- (a) in an accounting period (“the loss-making period”) beginning on or after 1 April 2017 a company carrying on a trade makes a loss in the trade,
- (b) relief under section 37 or Part 5 (group relief) is not given for an amount of the loss (“the unrelieved amount”),
- (c) the company continues to carry on the trade in the next accounting period (“the later period”), and
- (d) the conditions in subsection (2) are met.
- (2) The conditions are that –
- (a) the trade did not become small or negligible in the loss-making period,
- (b) relief under section 37 was not unavailable for the loss by reason of –
- (i) section 37(5), 44, 48 or 52, or
- (ii) section 1209, 1216DA, 1217DA, 1217MA or 1217SA of CTA 2009, and
- (c) relief under section 37 would not be unavailable by reason of section 44 for a loss (assuming there was one) made in the trade in the later period.
- (3) The unrelieved amount is carried forward to the later period.
- (4) The company may make a claim for relief to be given in the later period for the unrelieved amount or for any part of it specified in the claim.
- (5) If the company makes a claim, the relief is given by deducting the unrelieved amount, or the specified part of it, from the company’s total profits of the later period.
- (6) A claim under this section must be made –

- (a) within the period of two years after the end of the later period, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (7) Relief under this section is subject to restriction or modification in accordance with provisions of the Corporation Tax Acts.

45B Carry forward of post-1 April 2017 trade loss against trade profits

- (1) This section applies if –
- (a) in an accounting period (“the loss-making period”) beginning on or after 1 April 2017 a company carrying on a trade makes a loss in the trade,
 - (b) relief under section 37 or 42 or Part 5 (group relief) is not given for an amount of the loss (“the unrelieved amount”),
 - (c) the company continues to carry on the trade in the next accounting period (“the later period”), and
 - (d) either –
 - (i) any of the conditions in section 45A(2) are not met, or
 - (ii) relief for the unrelieved amount was not available under section 45A by reason of section 1210(5), 1216DB(5) or 1217DB(5) of CTA 2009.
- (2) The unrelieved amount is carried forward to the later period.
- (3) Relief for the unrelieved amount is given to the company in the later period if the company makes a profit in the trade in the later period.
- (4) The relief is given by reducing the profits of the trade of the later period by the unrelieved amount.
- (5) But the company may make a claim for relief not to be given in the later period for the unrelieved amount or for any part of it specified in the claim.
- (6) A claim under subsection (5) is effective if, and only if, it is made –
- (a) within the period of two years after the end of the later period, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (7) Relief under this section is subject to restriction or modification in accordance with provisions of the Corporation Tax Acts.

45C Re-application of section 45A if loss remains after previous application

- (1) This section applies if –
- (a) an amount of a loss made in a trade is carried forward to an accounting period (“the later period”) of a company under section 45A(3),
 - (b) any of that amount is not deducted from the company’s total profits of the later period on a claim under section 45A(4) or surrendered by way of group relief for carried forward-losses under Part 5A,

- (c) the company continues to carry on the trade in the accounting period (“the further period”) after the later period, and
 - (d) the conditions in subsection (2) are met.
- (2) The conditions are that—
- (a) the trade did not become small or negligible in the later period, and
 - (b) relief under section 37 would not be unavailable by reason of section 44 for a loss (assuming there was one) made in the trade in the further period.
- (3) Subsections (3) to (7) of section 45A apply as if—
- (a) references to the unrelieved amount were to so much of the amount carried forward to the later period as is not deducted or surrendered as mentioned in subsection (1)(b), and
 - (b) references to the later period were to the further period.

45D Application of section 45B if loss remains after application of section 45A

- (1) This section applies if—
- (a) an amount of a loss made in a trade is carried forward to an accounting period (“the later period”) of a company under section 45A(3),
 - (b) any of that amount is not deducted from the company’s total profits of the later period on a claim under section 45A(4) or surrendered by way of group relief for carried forward-losses under Part 5A,
 - (c) the company continues to carry on the trade in the accounting period (“the further period”) after the later period, and
 - (d) either of the conditions in section 45C(2) are not met.
- (2) Subsections (2) to (7) of section 45B apply as if—
- (a) references to the unrelieved amount were to so much of the amount carried forward to the later period as is not deducted or surrendered as mentioned in subsection (1)(b), and
 - (b) references to the later period were to the further period.

45E Re-application of section 45B if loss remains after previous application

- (1) This section applies if—
- (a) an amount of a loss made in a trade is carried forward to an accounting period (“the later period”) of a company under section 45B(2),
 - (b) any of that amount is not used under section 45B(4) to reduce profits of the trade for the later period, and
 - (c) the company continues to carry on the trade in the accounting period (“the further period”) after the later period.
- (2) Subsections (2) to (7) of section 45B apply as if—

- (a) references to the unrelieved amount were to so much of the amount carried forward to the later period as was not used as mentioned in subsection (1)(b), and
- (b) references to the later period were to the further period.

45F Terminal losses: relief unrestricted by Part 7ZA and 7A

- (1) This section applies if –
 - (a) a company makes a loss in a trade in an accounting period (the “loss-making period”),
 - (b) an amount of that loss is carried forward to an accounting period of the company (“the terminal period”) under section 45, 45A or 45B,
 - (c) relief in the terminal period is not given under section 45, 45A or (as the case may be) 45B for that amount or for any part of it, and
 - (d) the company ceases to carry on the trade in the terminal period.
- (2) The company may make a claim for relief to be given for the unrelieved amount under this section.
- (3) If the company makes a claim the relief is given by deducting the unrelieved amount from the relevant profits of the company of –
 - (a) the terminal period, and
 - (b) previous accounting periods so far as they fall (wholly or partly) within the period of 3 years ending with the end of the terminal period.
- (4) But no deduction is to be made under subsection (3) for any accounting period which is –
 - (a) the loss-making period,
 - (b) a period before the loss-making period, or
 - (c) a period beginning before 1 April 2017.
- (5) The amount of a deduction to be made under subsection (3) for any accounting period is the amount of the unrelieved amount so far as it cannot be deducted under that subsection for a subsequent accounting period.
- (6) The company’s claim must be made –
 - (a) within the period of two years after the end of the terminal period, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (7) In this section –
 - “the unrelieved amount” means so much of the amount mentioned in subsection (1)(b) for which relief is not given in the terminal period under section 45, 45A or (as the case may be) 45B, and
 - “relevant profits”, in relation to the terminal period or any previous accounting period, means –

- (a) the total profits of the company of the period, in a case where the unrelieved amount was carried forward to the terminal period under section 45A,
 - (b) the profits of the trade of the period, in a case where the unrelieved amount was carried forward to the terminal period under section 45 or 45B.
- (8) Relief under this section is subject to restriction or modification in accordance with provisions of the Corporation Tax Acts.

45G Section 45F: accounting period falling partly within 3 year period

- (1) This section applies if an accounting period falls partly within the period of 3 years mentioned in section 45F(3)(b).
- (2) The amount of the deduction for the unrelieved amount for the accounting period is not to exceed an amount equal to the overlapping proportion of the company’s relevant profits of that period.
- (3) The overlapping proportion is the same as the proportion that the part of the accounting period falling within the period of 3 years bears to the whole of the accounting period.
- (4) In this section “the unrelieved amount” and “relevant profits” have the meaning given by section 45F(7).

45H Section 45F: transfers of trade to obtain relief

Section 45F does not apply by reason of a company ceasing to carry on a trade if—

- (a) on the company ceasing to carry on the trade, any of the activities of the trade begin to be carried on by a person who is not (or by persons any or all of whom are not) within the charge to corporation tax, and
- (b) the company’s ceasing to carry on the trade is part of a scheme or arrangement the main purpose, or one of the main purposes, of which is to secure that that section applies by reason of the cessation.”

UK property business losses

- 12 Chapter 4 of Part 4 of CTA 2010 (property losses) is amended in accordance with paragraphs 13 and 14.
- 13 (1) Section 62 (relief for losses made in UK property business) is amended as follows.
- (2) In subsection (4)—
 - (a) in the words before paragraph (a), for “Subsection (5) applies” substitute “Subsections (5) to (5C) apply”, and
 - (b) for paragraph (a) substitute—
 - “(a) an amount of the loss is not deducted as mentioned in subsection (3) or surrendered by way of group relief under Part 5,”.
 - (3) In subsection (5), for the words before paragraph (a) substitute “The amount”.

- (4) After subsection (5) insert –
- “(5A) But relief under subsection (2) for the amount is given to the company in the next accounting period only on the making by the company of a claim.
- (5B) A claim may relate to the whole of the amount or to part of it only.
- (5C) A claim must be made –
- (a) within the period of two years after the end of the next accounting period, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (5D) In the application of this section to an amount of a loss previously carried forward under subsection (5), the reference in subsection (4)(a) to group relief under Part 5 is to be read as a reference to group relief for carried-forward losses under Part 5A.”
- 14 (1) Section 63 (company with investment business ceasing to carry on UK property business) is amended as follows.
- (2) For subsection (2) substitute –
- “(2) Subsections (3) to (7) apply if an amount of loss made in carrying on the UK property business would be carried forward to the next accounting period under section 62(5) but for the company ceasing to carry on the business or to be within the charge to corporation tax in respect of it.”
- (3) In subsection (3)(b) for “that” substitute “the next accounting”.
- (4) After subsection (3) insert –
- “(4) But a deduction in respect of the amount of loss may be made under section 1219 of CTA 2009 for the next accounting period only on the making by the company of a claim.
- (5) A claim may relate to the whole of the amount of the loss or to part of it only.
- (6) A claim must be made –
- (a) within the period of two years after the end of the next accounting period, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (7) Subsection (1A) of section 1219 of CTA 2009 does not apply in relation to a deduction in respect of the amount of loss made for the next accounting period.”

PART 2

RESTRICTION ON DEDUCTIONS IN RESPECT OF CARRIED-FORWARD LOSSES

- 15 CTA 2010 is amended in accordance with paragraphs 16 to 22.

16 After section 269 insert –

“PART 7ZA

RESTRICTIONS ON OBTAINING CERTAIN DEDUCTIONS

Introduction

269ZA Overview of Part

This Part contains provision restricting the amount of certain deductions which a company may make in calculating its taxable total profits for an accounting period.

Restrictions on obtaining certain deductions

269ZB Restriction on deductions from trading profits

- (1) This section has effect for determining the taxable total profits of a company for an accounting period.
- (2) The sum of any deductions made by the company for the accounting period under sections 45(4)(b) and 45B (carry forward of trade loss against subsequent trade profits) may not exceed the relevant maximum.
But this is subject to subsection (8).
- (3) In this section the “relevant maximum” means the sum of –
 - (a) 50% of the company’s relevant trading profits for the accounting period, and
 - (b) the company’s trading profits deductions allowance for the accounting period.
- (4) Section 269ZE contains provision for determining a company’s relevant trading profits for an accounting period.
- (5) A company’s “trading profits deductions allowance” for an accounting period –
 - (a) is so much of the company’s deductions allowance for the period as is specified in the company’s tax return as its trading profits deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company’s deductions allowance for the period is so specified.
- (6) An amount specified under subsection (5)(a) as a company’s trading profits deductions allowance for an accounting period may not exceed the difference between –
 - (a) the amount of the company’s deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under section 269ZC(5)(a) (non-trading profits deductions allowance) and section 124D(3) of FA 2012 (BLAGAB trade profits deductions allowance).

- (7) A company’s “deductions allowance” for an accounting period is to be determined in accordance with section 269ZG where, at any time in that period –
- (a) the company is a member of a group (see section 269ZO), and
 - (b) one or more other companies within the charge to corporation tax are members of that group.
- Otherwise, a company’s “deductions allowance” for an accounting period is to be determined in accordance with section 269ZL.
- (8) Subsection (2) does not apply in relation to a company for an accounting period where, in determining the company’s relevant trading profits, the amount given by step 1 in section 269ZE(4) is not greater than nil.

269ZC Restriction on deductions from non-trading profits

- (1) This section has effect for determining the taxable total profits of a company for an accounting period.
- (2) The sum of any deductions made by the company for the accounting period under section 457(3) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits) may not exceed the relevant maximum.
But this is subject to subsection (8).
- (3) In this section the “relevant maximum” means the sum of –
 - (a) 50% of the company’s relevant non-trading profits for the accounting period, and
 - (b) the amount of the company’s non-trading profits deductions allowance for the accounting period.
- (4) Section 269ZE contains provisions for determining a company’s relevant non-trading profits for an accounting period.
- (5) A company’s “non-trading profits deductions allowance” for an accounting period –
 - (a) is so much of the company’s deductions allowance for the period as is specified in the company’s tax return as its non-trading profits deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company’s deductions allowance for the period is so specified.
- (6) An amount specified under subsection (5)(a) as a company’s non-trading profits deductions allowance for an accounting period may not exceed the difference between –
 - (a) the amount of the company’s deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under section 269ZB(5)(a) (trading profits deductions allowance) and section 124D(3) of FA 2012 (BLAGAB trade profits deductions allowance).
- (7) A company’s “deductions allowance” for an accounting period is to be determined in accordance with section 269ZG where, at any time in that period –
 - (a) the company is a member of a group (see section 269ZO), and

- (b) one or more other companies within the charge to corporation tax are members of that group.

Otherwise, a company's "deductions allowance" for an accounting period is to be determined in accordance with section 269ZL.

- (8) Subsection (1) does not apply in relation to a company for an accounting period where, in determining the company's relevant non-trading profits for the period, the amount given by step 1 in section 269ZE(4) is not greater than nil.

269ZD Restriction on deductions from total profits

- (1) This section has effect for determining the taxable total profits of a company for an accounting period.
- (2) The sum of any relevant deductions made by the company for the accounting period may not exceed the difference between—
- (a) the relevant maximum, and
 - (b) the sum of any deductions made by the company for the accounting period under—
 - (i) sections 45(4)(b) and 45B (carry forward of trade loss against subsequent trade profits),
 - (ii) section 457(3) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits), and
 - (iii) sections 124(5), 124A(5) and 124C(6) of FA 2012 (carry forward of BLAGAB trade losses against BLAGAB trade profits).

But this is subject to subsection (7).

- (3) The following deductions made for an accounting period are "relevant deductions" for the purposes of this section—
- (a) a deduction under section 463G of CTA 2009 (carry forward of non-trading deficit against total profits);
 - (b) a deduction under section 753 of CTA 2009 (non-trading losses on intangible fixed assets) in respect of a loss treated by subsection (3) of that section (carry forward of losses) as if it were a loss of the accounting period;
 - (c) a deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) in respect of an amount treated by section 1223(3) of that Act (carrying forward of expenses of management and other amounts) as expenses of management deductible for the accounting period;
 - (d) a deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) in respect of a loss treated by section 63(3) (carrying forward of certain losses made by company with investment business which ceases to carry on UK property business) as an expense of management deductible for the accounting period;
 - (e) a deduction under section 37 (relief for trade losses against total profits) made in reliance on section 1210(3), 1216DB(3), 1217DB(3), 1217MB(2) or 1217SB(2) of CTA 2009;
 - (f) a deduction under section 45A (carry forward of trade loss against total profits);

- (g) a deduction under section 62(3) (relief for losses made in UK property business) in respect of a loss treated by subsection (5)(b) of that section (carry forward of losses) as a loss made by the company in the accounting period;
 - (h) a deduction under Part 5 (group relief) made in respect of a loss surrendered under that Part in reliance on section 1210(3), 1216DB(3), 1217DB(3), 1217MB(2) or 1217SB(2) of CTA 2009;
 - (i) a deduction under Part 5A (group relief for carried-forward losses);
 - (j) a deduction under section 124B of FA 2012 (deduction from total profits of excess carried-forward BLAGAB trade losses).
- (4) In this section the “relevant maximum” means the sum of—
- (a) 50% of the company’s relevant profits for the accounting period, and
 - (b) the amount of the company’s deductions allowance for the accounting period.
- (5) Section 269ZF contains provisions for determining a company’s relevant profits for an accounting period.
- (6) A company’s “deductions allowance” for an accounting period is to be determined in accordance with section 269ZG where, at any time in that period—
- (a) the company is a member of a group (see section 269ZO), and
 - (b) one or more other companies within the charge to corporation tax are members of that group.
- Otherwise, the company’s “deductions allowance” for the accounting period is to be determined in accordance with section 269ZL.
- (7) Subsection (2) does not apply in relation to a company for an accounting period where, in determining the company’s relevant profits for the period, the amount given by step 1 in section 269ZE(4) is not greater than nil.

Relevant profits

269ZE “Relevant trading profits”, “relevant non-trading profits” and “relevant BLAGAB trade profits”

- (1) A company’s “relevant trading profits” for an accounting period are—
- (a) the company’s qualifying trading profits for the accounting period (see subsection (4)), less
 - (b) the company’s trading profits deductions allowance for the accounting period (see section 269ZB(5)).

But if the allowance mentioned in paragraph (b) exceeds the profits mentioned in paragraph (a), the company’s “relevant trading profits” for the accounting period are nil.

- (2) A company’s “relevant non-trading profits” for an accounting period are—

- (a) the company’s qualifying non-trading profits for the accounting period (see subsection (4)), less
- (b) the company’s non-trading profits deductions allowance for the accounting period (see section 269ZC(5)).

But if the allowance mentioned in paragraph (b) exceeds the profits mentioned in paragraph (a), the company’s “relevant non-trading profits” for the accounting period are nil.

- (3) A company’s “relevant BLAGAB trade profits” for an accounting period are –
 - (a) the company’s qualifying BLAGAB trade profits for the accounting period (see subsection (4)), less
 - (b) the company’s BLAGAB trade profits deductions allowance for the accounting period (see section 124D(3) of FA 2012).

But if the allowance mentioned in paragraph (b) exceeds the profits mentioned in paragraph (a), the company’s “relevant BLAGAB trade profits” for the accounting period are nil.

- (4) To determine a company’s qualifying trading profits, qualifying non-trading profits and qualifying BLAGAB trade profits for an accounting period –

Step 1

Calculate the company’s modified total profits for the accounting period (see subsection (5)).

If the company’s modified total profits for the accounting period are not greater than nil, no further steps are to be taken: see sections 269ZB(8), 269ZC(8) and 269ZD(7) and section 124D(5) of FA 2012.

Step 2

Calculate the sum (“the step 2 amount”) of any amounts which can be relieved against the company’s total profits for the accounting period, ignoring the amount of any excluded deductions for the accounting period (see subsection (6)).

If the company’s modified total profits for the accounting period do not exceed the amount given by this step, the qualifying trading profits, the qualifying non-trading profits and the qualifying BLAGAB trade profits are (in each case) nil.

Otherwise, proceed with steps 3 to 5.

Step 3

Divide the company’s modified total profits for the accounting period into –

- (a) profits that are profits of a trade of the company,
- (b) any BLAGAB trade profits of the company, and
- (c) any profits of the company not falling within paragraph (a) or (b).

Step 4

Reduce (but not below zero) one or more of the amounts in paragraphs (a) to (c) of step 3 by amounts which are in total equal to the step 2 amount.

Step 5

The amounts resulting from step 3, after any reduction under step 4, are –

-
- (a) in the case of the amount in step 3(a), the company’s qualifying trading profits;
 - (b) in the case of the amount in step 3(b), the company’s qualifying BLAGAB trade profits, and
 - (c) in the case of the amount in step 3(c), the company’s qualifying non-trading profits.
- (5) For the purposes of this section the company’s “modified total profits” for an accounting period are the total profits for the period, calculated with the following modifications –
- (a) ignore any income so far as it falls within, and is dealt with under, Part 9A of CTA 2009 (company distributions);
 - (b) if the company is an insurance company, ignore any I-E profit for the accounting period, but treat any BLAGAB trade profits of the company for the accounting period as amounts to be included in the modified total profits;
 - (c) make no deductions under sections 45(4)(b) and 45B (carry forward of trade loss against subsequent trade profits) other than deductions that would be ignored for the purposes of section 269ZB by reason of –
 - (i) sections 1209(3), 1210(5A) or 1211(7A) of CTA 2009 (losses of film trade),
 - (ii) sections 1216DA(3), 1216DB(5A) or 1216DC(7A) of that Act (losses of television programme trade),
 - (iii) sections 1217DA(3), 1217DB(5A) or 1217DC(7A) of that Act (losses of video game trade),
 - (iv) sections 1217MA(3) or 1217MC(9) of that Act (losses of theatrical trade),
 - (v) sections 1217SA(3) or 1217SC(9) of that Act (losses of orchestral trade), or
 - (vi) sections 65(4B) or 67A(5A) of this Act (losses of UK or EEA furnished holiday lettings business);
 - (d) make no deductions under section 457(3) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits); and
 - (e) make no deductions under sections 124(5), 124A(5) and 124C(6) of FA 2012 (carry forward of BLAGAB trade losses against subsequent profits).
- (6) The following are “excluded deductions” for an accounting period (“the current accounting period”) –
- (a) a deduction for the current accounting period which is a relevant deduction for the purposes of section 269ZD (see subsection (3) of that section);
 - (b) a deduction under section 37 (relief for trade losses against total profits) in relation to a loss made in an accounting period after the current accounting period;
 - (c) a deduction under section 45F (terminal losses);
 - (d) a deduction under section 260(3) of CAA 2001 (special leasing of plant or machinery: carry back of excess allowances) in relation to capital allowances for an accounting period after the current accounting period; and

- (e) a deduction under section 463E of CTA 2009 (non-trading deficit from loan relationships) in relation to a deficit for a period after the current account period.

269ZF “Relevant profits”

- (1) A company’s “relevant profits” for an accounting period are –
- (a) the amount given by step 1 in subsection (4) of section 269ZE, less
 - (b) the sum of –
 - (i) the amount given by step 2 in that subsection of that section, and
 - (ii) the company’s deductions allowance for the accounting period (see section 269ZD(6)).
- (2) But if the amount given by step 1 in subsection (4) of section 269ZE does not exceed the sum of the amounts mentioned in subsection (1)(b), the company’s relevant profits for the accounting period are nil.

Deductions allowance

269ZG Deductions allowance for company in a group

- (1) This section makes provision as to the deductions allowance of a company for an accounting period where, at any time in the period –
- (a) the company is a member of a group, and
 - (b) one or more other companies within the charge to corporation tax are members of that group.
- (2) The company’s deductions allowance for the accounting period is the sum of –
- (a) any amounts of group deductions allowance allocated to the company for the period in accordance with sections 269ZH to 269ZK, and
 - (b) the appropriate amount of non-group deductions allowance of the company for the period,
- up to a limit of £5,000,000.
- (3) The “appropriate amount of non-group deductions allowance” of the company, for the accounting period, is –
- $$\frac{\text{DNG}}{\text{DAC}} \times \text{£5,000,000}$$
- where –
- “DNG” is the number of days in the period on which the company is not a member of a group that has another member that is a company within the charge to corporation tax, and
- “DAC” is the total number of days in the period.
- (4) If the accounting period is less than 12 months –
- (a) the appropriate amount of non-group deductions allowance, and
 - (b) the limit in subsection (2),

are proportionally reduced.

269ZH Group deductions allowance and the nominated company

- (1) This section applies where –
 - (a) two or more members of a group are companies within the charge to corporation tax, and
 - (b) all the companies within the charge to corporation tax that are members of the group together nominate (“the group allowance nomination”) one of their number (“the nominated company”) for the purposes of this Part.
- (2) The “group deductions allowance” for the group is £5,000,000 for each accounting period of the nominated company throughout which the group allowance nomination has effect.
- (3) If the group allowance nomination takes effect, or ceases to have effect, part of the way through an accounting period of the nominated company, the “group deductions allowance” for the group for that period is –

$$\frac{DN}{DAC} \times \text{£}5,000,000$$

where –

“DN” is the number of days in the accounting period on which a group allowance nomination that nominates the nominated company in relation to the group has effect, and

“DAC” is the total number of days in the accounting period.

- (4) If an accounting period of the nominated company is less than 12 months, the group deductions allowance for that period is proportionally reduced.
- (5) A group allowance nomination must state the date on which it is to take effect (which may be earlier than the date the nomination is made).
- (6) A group allowance nomination is of no effect unless it is signed by the appropriate person on behalf of each company that is, when the nomination is made, a member of the group and within the charge to corporation tax.
- (7) A group allowance nomination ceases to have effect –
 - (a) immediately before the date on which a new group allowance nomination in respect of the group takes effect,
 - (b) upon the appropriate person in relation to a company within the charge to corporation tax that is a member of the group notifying an officer of Revenue and Customs, in writing, that the group allowance nomination is revoked, or
 - (c) upon the nominated company ceasing to be a company within the charge to corporation tax or ceasing to be a member of the group.
- (8) The Commissioners for Her Majesty’s Revenue and Customs may by regulations make further provision about a group allowance nomination or any notification under this section including, in particular, provision –

- (a) about the form and manner in which a nomination or notification may be made,
 - (b) about how a nomination may be revoked and the form and manner of such revocation,
 - (c) requiring a person to notify HMRC of the making or revocation of a nomination,
 - (d) requiring a person to give information to HMRC in connection with the making or revocation of a nomination or the giving of a notification,
 - (e) imposing time limits in relation to making or revoking a nomination or giving a notification, and
 - (f) providing that a nomination or its revocation, or a notification, is of no effect, or ceases to have effect, if time limits or other requirements under the regulations are not met.
- (9) In this Part “the appropriate person”, in relation to a company, means—
- (a) the proper officer of the company, or
 - (b) such other person as may for the time being have the express, implied or apparent authority of the company to act on its behalf for the purposes of this Part.
- (10) Subsections (3) and (4) of section 108 of TMA 1970 (responsibility of company officers: meaning of “proper officer”) apply for the purposes of subsection (9) as they apply for the purposes of that section.

269ZI Group allowance allocation statement: submission

- (1) A company must submit a group allowance allocation statement to HMRC for each of its accounting periods in which it is the nominated company in relation to a group.
This is subject to subsections (2) and (3).
- (2) If a company ceases to be the nominated company in relation to a group before it submits a group allowance allocation statement to HMRC for an accounting period—
 - (a) that company may not submit the statement, and
 - (b) the company that is for the time being the nominated company in relation to the group must do so.
- (3) But if a new group allowance nomination in respect of the group takes effect on a date before it is made, that does not affect the validity of the submission of any group allowance allocation statement submitted before the date the new nomination is made.
- (4) A group allowance allocation statement under this section must be received by HMRC before the first anniversary of the filing date for the company tax return for the accounting period to which the statement relates.
- (5) A group allowance allocation statement under this section may be submitted at a later time if an officer of Revenue and Customs allows it.

- (6) A group allowance allocation statement under this section must comply with the requirements of section 269ZK.

269ZJ Group allowance allocation statement: submission of revised statement

- (1) This section applies if a group allowance allocation statement has been submitted under section 269ZI, or this section, in respect of an accounting period of a company that is, or was, a nominated company (“the nominee’s accounting period”).
- (2) A revised group allowance allocation statement in respect of the nominee’s accounting period may be submitted to HMRC by the company that is for the time being the nominated company in relation to the group.
- (3) But if a new group allowance nomination in respect of the group takes effect on a date before it is made, that does not affect the validity of the submission of any revised group allowance allocation statement submitted before the date the new nomination is made.
- (4) A revised group allowance allocation statement may be submitted on or before whichever is the latest of the following dates –
- (a) the first anniversary of the filing date for the company tax return for the nominee’s accounting period,
 - (b) if notice of enquiry (within the meaning of Schedule 18 to FA 1998) is given into a relevant company tax return, 30 days after the enquiry is completed,
 - (c) if, after such an enquiry, an officer of Revenue and Customs amends the return under paragraph 34(2) of that Schedule, 30 days after the notice of amendment is issued,
 - (d) if an appeal is brought against such an amendment, 30 days after the date on which the appeal is finally determined.
- (5) A revised group allowance allocation statement may be submitted at a later time if an officer of Revenue and Customs allows it.
- (6) In this section “relevant company tax return” means a company tax return of a company for an accounting period for which an amount of group deductions allowance was, or could have been, allocated by a previous group allowance allocation statement in respect of the nominee’s accounting period.
- (7) The references in subsection (4) to an enquiry into a relevant company tax return do not include an enquiry resulting from an amendment of such a return where –
- (a) the scope of the enquiry is limited as mentioned in paragraph 25(2) of Schedule 18 to FA 1998 (enquiry into amendments when time limit for enquiry into return as originally submitted is passed), and
 - (b) the amendment relates only to the allocation of group deductions allowance for the nominee’s accounting period.
- (8) A group allowance allocation statement under this section must comply with the requirements of section 269ZK.

269ZK Group allowance allocation statement: requirements and effects

- (1) This section applies in relation to a group allowance allocation statement submitted under section 269ZI or 269ZJ.
- (2) The statement must be signed by the appropriate person in relation to the company giving the statement.
- (3) The statement must –
 - (a) identify the group to which it relates,
 - (b) specify the accounting period, of the company that is or was the nominated company, to which the statement relates (“the nominee’s accounting period”),
 - (c) specify the days in the nominee’s accounting period on which that company was the nominated company in relation to the group or state that that company was the nominated company throughout the period,
 - (d) state the group deductions allowance the group has for the nominee’s accounting period,
 - (e) list one or more of the companies that were members of the group and within the charge to corporation tax in the nominee’s accounting period (“listed companies”),
 - (f) allocate amounts of the group deductions allowance to the listed companies, and
 - (g) for each amount of group deductions allowance allocated to a listed company, specify the accounting period of the listed company for which it is allocated.
- (4) An amount of group deductions allowance allocated to a listed company must be allocated to that company for an accounting period that falls wholly or partly in the nominee’s accounting period.
- (5) The maximum amount of group deductions allowance that may be allocated, by the group allowance allocation statement, to a listed company for an accounting period of that company is –

$$\frac{\text{DAP}}{\text{DNAP}} \times \text{GSA}$$

where –

“DAP” is the number of days in the accounting period of the listed company that are –

- (a) days in the nominee’s accounting period, and
- (b) days on which the company was a member of the group,

“DNAP” is the number of days in the nominee’s accounting period, and

“GSA” is the group deductions allowance of the group for the nominee’s accounting period.

- (6) The sum of the amounts allocated to listed companies by the group allowance allocation statement may not exceed the group deductions allowance for the nominee’s accounting period.
- (7) If a group allowance allocation statement is submitted that does not comply with subsection (5) or (6), the company that is, for the time being, the nominated company in relation to the group must submit

a revised group allowance allocation statement that does comply with those subsections within 30 days of the date on which the group allowance allocation statement that did not comply was submitted or within such further period as an officer of Revenue and Customs allows.

- (8) If a group allowance allocation statement –
- (a) complies with those subsections when it is submitted, but
 - (b) subsequently ceases to comply with either of them,
- the company that is, for the time being, the nominated company in relation to the group must submit a revised group allowance allocation statement that does comply with those subsections within 30 days of the date on which the group allowance allocation statement ceased to comply with one of those subsections or within such further period as an officer of Revenue and Customs allows.
- (9) If a company fails to comply with subsection (7) or (8), an officer of Revenue and Customs may by written notice to the company amend the group allowance allocation statement as the officer thinks fit for the purpose of making it comply with subsections (5) and (6).
- (10) An officer of Revenue and Customs who issues a notice under subsection (9) to a company must, at the same time, send a copy of the notice to each of the listed companies.
- (11) The time limits otherwise applicable to the amendment of a company tax return do not apply to any such amendment to the extent that it is made in consequence of a group allowance allocation statement being submitted in accordance with section 269ZI or 269ZJ.
- (12) The Commissioners for Her Majesty’s Revenue and Customs may by regulations make further provision about a group allowance allocation statement including, in particular, provision –
- (a) about the form of a statement and the manner in which it is to be submitted,
 - (b) requiring a person to give information to HMRC in connection with a statement,
 - (c) as to the circumstances in which a statement that is not received by the time specified in section 269ZJ(4) is to be treated as if it were so received, and
 - (d) as to the circumstances in which a statement that does not comply with the requirements of this section is to be treated as if it did comply.

269ZL Deductions allowance for company not in a group

- (1) This section makes provision as to the deductions allowance of a company for an accounting period where section 269ZG (deductions allowance for company in a group) does not apply.
- (2) The company’s deductions allowance for the accounting period is £5,000,000.
- (3) If the accounting period is less than 12 months, the company’s deductions allowance for the period is proportionally reduced.

269ZM Company tax return to specify amount of deductions allowance

- (1) A company's tax return for an accounting period must specify the amount of the company's deductions allowance for the period.
- (2) But subsection (1) applies only if the company makes for the accounting period a deduction to which section 269ZB(2), 269ZC(2) or 269ZD(2) or section 124D(1) of FA 2012 applies.

269ZN Excessive specifications of deductions allowance

- (1) This section applies if a company's tax return for an accounting period specifies an excessive amount as –
 - (a) the company's deductions allowance for the period,
 - (b) the company's trading profits deductions allowance for the period, or
 - (c) the company's non-trading profits deductions allowance for the period.
- (2) The company must, so far as it may do so, amend the company tax return so that the amount specified is not excessive.
- (3) If an officer of Revenue and Customs considers that an undue amount of relief has been given as a consequence of the amount specified being excessive, the officer may make an assessment to tax in the amount which in the officer's opinion ought to be charged.
- (4) If –
 - (a) the amount specified became excessive in consequence of an alteration being made to the amount of group deductions allowance allocated to the company for the accounting period concerned, and
 - (b) the company has failed, or is unable, to amend its company tax return in accordance with subsection (2),
 an assessment under subsection (3) is not out of time if it is made within 12 months of the date on which the alteration took place.
- (5) The power in subsection (3) is without prejudice to the power to make a discovery assessment under paragraph 41(1) of Schedule 18 to FA 1998.

269ZO Meaning of "group"

- (1) In this Part "group" means two or more companies which together meet the following condition.
- (2) The condition is that one of the companies is –
 - (a) the ultimate parent of each of the other companies, and
 - (b) is not the ultimate parent of any other company.
- (3) A company ("A") is the "ultimate parent" of another company ("B") if –
 - (a) A is the parent of B, and
 - (b) no company is the parent of both A and B.
- (4) A company ("A") is the "parent" of another company ("B") if –
 - (a) B is a 75% subsidiary of A,

-
- (b) A is beneficially entitled to at least 75% of any profits available for distribution to equity holders of B, or
 - (c) A would be beneficially entitled to at least 75% of any assets of B available for distribution to its equity holders on a winding up.
- (5) The following apply for the purposes of subsection (4) –
- (a) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) other than sections 169 to 182, and
 - (b) Chapter 3 of Part 24 (subsidiaries).
- This is subject to subsections (6) and (7).
- (6) In applying Chapter 3 of Part 24 for the purposes of subsection (4) –
- (a) share capital of a registered society is to be treated as if it were ordinary share capital, and
 - (b) a company (“the shareholder”) that directly owns shares in another company is to be treated as not owning those shares if a profit on their sale would be a trading receipt of the shareholder.
- (7) In applying Chapter 6 of Part 5 (other than sections 169 to 182) and Chapter 3 of Part 24 for the purposes of subsection (4), they are to be read with all modifications necessary to ensure that –
- (a) they apply to a company which does not have share capital, and to holders of corresponding ordinary holdings in such a company, in a way which corresponds to the way they apply to companies with ordinary share capital and holders of ordinary shares in such companies,
 - (b) they apply to a company which is an unincorporated association in a way which corresponds to the way they apply to companies which are bodies corporate,
 - (c) they apply in relation to ownership through an entity (other than a company), or any trust or other arrangement, in a way which corresponds to the way they apply to ownership through a company, and
 - (d) for the purposes of achieving paragraphs (a) to (c), profits or assets are attributed to holders of corresponding ordinary holdings in unincorporated associations, entities, trusts or other arrangements in a manner which corresponds to the way profits or assets are attributed to holders of ordinary shares in a company which is a body corporate.
- (8) In this section “corresponding ordinary holding” in an unincorporated association, entity, trust or other arrangement means a holding or interest which provides the holder with economic rights corresponding to those provided by a holding of ordinary shares in a body corporate”.
- 17 (1) Section 269C (overview of Chapter 3 of Part 7A: restriction on banking company obtaining certain deductions) is amended as follows.
- (2) After subsection (1) insert –
- “(1A) This Chapter applies in relation to a banking company in addition to Part 7ZA (which contains provision restricting the amount of certain

deductions which any kind of company may make in calculating its taxable total profits for an accounting period).”

- (3) In subsection (2) for “269CD” substitute “269CC”
- 18 (1) Section 269CA (restriction on deductions for pre-1 April 2015 trading losses) is amended as follows.
- (2) In subsection (2), in the second sentence –
- (a) for “269CD” substitute “269ZE”, and
- (b) omit “step 5 in”.
- (3) In subsection (3), for the words from “where” to the end substitute “in relation to a banking company for an accounting period where, in determining the company’s relevant trading profits for the period, the amount given by step 1 in section 269ZE(4) is not greater than nil”.
- 19 (1) Section 269CB (restriction on deductions for pre-1 April 2015 non-trading deficits from loan relationships) is amended as follows.
- (2) In subsection (2), in the second sentence –
- (a) for “269CD” substitute “269ZE”, and
- (b) for “step 6 in subsection (1)” substitute “subsection (2)”.
- (3) In subsection (3), for the words from “where” to the end substitute “in relation to a banking company for an accounting period where, in determining the company’s relevant non-trading profits for the period, the amount given by step 1 in section 269ZE(4) is not greater than nil”
- 20 (1) Section 269CC (restriction on deductions for pre-1 April 2015 management expenses etc) is amended as follows.
- (2) In subsection (3) for the words from “does not apply” to the end substitute “is subject to subsection (8)”.
- (3) In subsection (7) –
- (a) in the second sentence of step 1, for “269CD” substitute “269ZF”,
- (b) in step 2 for the words from “which are” to the end substitute “under –
- (a) section 45 (carry forward of pre-1 April 2017 trade loss against subsequent trade profits),
- (b) section 45B (carry forward of post-1 April 2017 trade loss against subsequent trade profits), or
- (c) section 457 of CTA 2009 (carry forward of pre-1 April 2017 non-trading deficits from loan relationships).”
- (4) After subsection (7) insert –
- “(8) Subsection (2) does not apply in relation to a banking company for an accounting period where, in determining the company’s relevant profits for the period, the amount given by step 1 in section 269ZE(4) is not greater than nil.”
- 21 Section 269CD (relevant profits) is omitted.
- 22 (1) Section 269CN (definitions for the purposes of Part 7A) is amended as follows.

- (2) In the definition of “relevant non-trading profits” for the words from “means” to the end substitute “has the meaning given by section 269ZE(2)”.
- (3) In the definition of “relevant profits” for the words from “means” to the end substitute “has the meaning given by section 269ZF”.
- (4) In the definition of “relevant trading profits” for the words from “means” to the end substitute “has the meaning given by section 269ZE(1)”.

PART 3

GROUP RELIEF FOR CARRIED-FORWARD LOSSES

23 After section 188 of CTA 2010 insert –

“PART 5A

GROUP RELIEF FOR CARRIED-FORWARD LOSSES

CHAPTER 1

INTRODUCTION

188AA Introduction to Part

- (1) This Part –
 - (a) allows a company to surrender losses and other amounts that have been carried forward to an accounting period of the company (see Chapter 2), and
 - (b) enables, in certain cases involving groups or consortiums of companies, other companies to claim corporation tax relief for the losses and other amounts that are surrendered (see Chapter 3).
- (2) Chapters 4 and 5 contain limitations on the amount of corporation tax relief which may be given on a claim under Chapter 3.
- (3) See Chapter 5 for definitions that apply for the purposes of this Part and miscellaneous provisions.
- (4) The corporation tax relief mentioned in this section is called “group relief for carried-forward losses.”

CHAPTER 2

SURRENDER OF COMPANY'S CARRIED-FORWARD LOSSES ETC

188BA Overview of Chapter

- (1) This Chapter allows a company to surrender losses and other amounts that have been carried forward to an accounting period of the company.
- (2) Section 188BB sets out the basic provisions about the surrendering of losses and other amounts.

- (3) Sections 188BC to 188BI place restrictions on the surrendering of losses and other amounts.

188BB Surrender of carried-forward losses and other amounts

- (1) Subsection (2) applies if losses or other amounts are carried forward to an accounting period of a company under any of the following provisions –
- (a) section 463G(4) of CTA 2009 (carry forward of post-1 April 2017 non-trading deficit from loan relationships),
 - (b) section 753(3) of that Act (carry forward of non-trading loss on intangible fixed assets),
 - (c) section 1223 of that Act (carry forward of expenses of management of investment business),
 - (d) section 45A(3) of this Act (carry forward of post-1 April 2017 trade loss), and
 - (e) sections 62(5)(a) and 63(3)(a) of this Act (carry forward of loss made in UK property business).
- (2) The company may surrender the losses or other amounts under this Chapter so far as the losses or other amounts are eligible for corporation tax relief (apart from this Part).
- (3) Subsection (4) applies if any of a BLAGAB trade loss made by an insurance company for an accounting period is carried forward to an accounting period of the company (“the later period”) under section 124A(2) or 124C(3) of FA 2012.
- (4) The company may surrender the remaining carried forward amount under this Chapter so far as that amount is eligible for corporation tax relief (apart from this Part).
- (5) In subsection (4) “the remaining carried forward amount” means so much of the amount carried forward (as mentioned in subsection (3)) as cannot be deducted under section 124A(5) or 124C(6) of FA 2012 from the company’s BLAGAB trade profit (if any) of the later period.
- (6) Under paragraph 70(1) of Schedule 18 to FA 1998, the company surrenders losses or other amounts, so far as eligible for surrender under this Chapter, by consenting to one or more claims for group relief for carried-forward losses in relation to the amounts (see requirement 1 in section 188CB(3) and requirement 1 in section 188CC(3)).
- (7) In this section “BLAGAB trade profit” and “BLAGAB trade loss” are to be interpreted in accordance with section 136 of FA 2012.
- (8) In this Part, in relation to losses or other amounts within subsection (1) or (4) that a company has carried forward to an accounting period –
- “the surrenderable amounts” means those losses and other amounts so far as eligible for surrender under this Chapter,
 - “surrendering company” means the company that has the losses or other amounts,
 - “the surrender period” means the accounting period to which the losses and other amounts have been carried forward.

- (9) See sections 188BC to 188BI for provisions restricting what the surrendering company may surrender under this section.

188BC Restriction on surrendering pre-1 April 2017 losses etc

- (1) The surrendering company may not surrender under this Chapter –
- (a) a loss carried forward to the surrender period under section 753(3) of CTA 2009 in so far as the loss is made up of an amount previously carried forward under that section from an accounting period beginning before 1 April 2017,
 - (b) expenses carried forward to the surrender period under section 1223 of CTA 2009 if the expenses were first deductible under section 1219 of that Act for an accounting period beginning before that date, or
 - (c) a loss carried forward to the surrender period under section 62(5)(a) or 63(3)(a) of this Act if the loss was made in an accounting period beginning before that date.
- (2) The surrendering company may not surrender under this Chapter a qualifying charitable donation carried forward to the surrender period under section 1223 of CTA 2009.

188BD Restriction where investment business has become small or negligible

- (1) The surrendering company may not surrender under this Chapter –
- (a) a loss carried forward to the surrender period under section 753(3) of CTA 2009 if an investment business carried on by the surrendering company became small or negligible before the beginning of that period,
 - (b) expenses carried forward to the surrender period under section 1223 of CTA 2009 if the surrendering company's investment business became small or negligible before the beginning of that period, or
 - (c) a loss carried forward to the surrender period under section 62(5)(a) or 63(3)(a) if the surrendering company's investment business became small or negligible before the beginning of that period.
- (2) In this section –
- (a) “company with investment business” has the same meaning as in Part 18 of CTA 2009 (see section 1218B of that Act);
 - (b) references to a company's investment business are to be construed in accordance with section 1219(2) of CTA 2009.

188BE Restriction where surrendering company could use losses etc itself

The surrendering company may not surrender any losses or other amounts under this Chapter if –

- (a) section 269ZD(2) applies in determining the taxable total profits of the surrendering company for the surrender period, and
- (b) the sum of the relevant deductions (within the meaning of section 269ZD(3)) made for the surrender period is less than the maximum permitted by section 269ZD(2).

188BF Restriction where surrendering company has no income-generating assets

The surrendering company may not surrender any losses or other amounts under this Chapter if at the end of the surrender period the surrendering company has no assets capable of producing income.

188BG Restriction on surrender of losses etc made when UK resident

- (1) This section applies in relation to a loss or other amount carried forward to the surrender period if the surrendering company was UK resident during the loss-making period.
- (2) The surrendering company may not surrender the loss or other amount under this Chapter so far as the loss or other amount –
 - (a) is attributable to a permanent establishment through which the company carried on a trade outside the UK during the loss-making period (see subsection (3)), and
 - (b) is, or represents, an amount within subsection (5).
- (3) A loss or other amount is attributable to a permanent establishment of the surrendering company if (ignoring this section) the amount could be included in the company’s surrenderable amounts for the surrender period if those amounts were determined –
 - (a) by reference to that establishment alone, and
 - (b) by applying, in relation to that establishment, principles corresponding in all material respects to those mentioned in subsection (4).
- (4) The principles are those that would be applied for corporation tax purposes in determining an equivalent loss or other amount in the case of a permanent establishment through which a non-UK resident company carried on a trade in the United Kingdom.
- (5) An amount is within this subsection if, for the purposes of non-UK tax chargeable under the law of the territory in which the permanent establishment was situated, the amount is or at any time has been (in any period) deductible from or otherwise allowable against non-UK profits of a person other than the surrendering company.
- (6) Subsection (7) applies for the purposes of subsection (5) if, in order to determine if an amount is or at any time has been deductible or otherwise allowable for the purposes of non-UK tax chargeable under the law of a territory, it is necessary under that law to know if the amount (or a corresponding amount) is or has been deductible or otherwise allowable for tax purposes in the United Kingdom.
- (7) The amount is to be treated as deductible or otherwise allowable for the purposes of the non-UK tax chargeable under the law of the territory concerned if (and only if) the surrendering company is treated as resident in that territory for the purposes of the non-UK tax.
- (8) In this section and section 188BH –
 - “the loss-making period”, in relation to a loss or other amount, means the accounting period in which the loss was made or the amount arose,

“non-UK tax” has the meaning it has in Part 5 (see section 187),
 and

“non-UK profits” has the meaning given by section 108.

188BH Restriction on surrender of losses made when non-UK resident

- (1) This section applies in relation to a loss or other amount carried forward to the surrender period if during the loss-making period the surrendering company was a non-UK resident company carrying on a trade in the United Kingdom through a permanent establishment.
- (2) If the surrendering company was established in the EEA during the loss-making period, it may surrender the loss or other amount under this Chapter only so far as conditions A and B are met.
 Subsection (8) imposes restrictions on a surrender under this subsection.
- (3) In any other case, the surrendering company may surrender the loss or other amount under this Chapter only so far as conditions A, B and C are met in relation to the loss or amount.
- (4) Condition A is that the loss or other amount is attributable to activities of the surrendering company in respect of which it is within the charge to corporation tax for the loss-making period.
- (5) Condition B is that the loss or other amount is not attributable to activities of the surrendering company that are double taxation exempt for the loss-making period (within the meaning given by section 186).
- (6) Condition C is that –
 - (a) the loss or other amount does not correspond to, and is not represented in, an amount with subsection (7), and
 - (b) no amount brought into account in calculating the loss or other amount corresponds to, or is represented in, an amount within subsection (7).
- (7) An amount is within this subsection if, for the purposes of non-UK tax chargeable under the law of a territory, the amount is or at any time has been (in any period) deductible from or otherwise allowable against non-UK profits of any person.
- (8) A loss or other amount may not be surrendered by virtue of subsection (2) if and to the extent that it, or any amount brought into account in calculating it, corresponds to, or is represented in, amounts within subsection (9).
- (9) An amount is within this subsection if, for the purposes of non-UK tax chargeable under the law of a territory, the amount has (in any period) been deducted from or otherwise allowed against non-UK profits of any person.
- (10) But an amount is not to be taken to be within subsection (7) or (9) by reason only that it is –
 - (a) an amount of profits brought into account for the purpose of being excluded from non-UK profits of the person, or
 - (b) an amount brought into account in calculating an amount of profits brought into account as mentioned in paragraph (a).

- (11) Subsection (12) applies for the purposes of subsection (7) if, in order to determine if an amount is or at any time has been deductible or otherwise allowable for the purposes of non-UK tax chargeable under the law of a territory, it is necessary under that law to know if the amount (or a corresponding amount) is or at any time has been deductible or otherwise allowable for tax purposes in the United Kingdom.
- (12) The amount is to be treated as deductible or otherwise allowable for the purposes of the non-UK tax chargeable under the law of the territory concerned.
- (13) For the purposes of this section a company is established in the EEA if –
 - (a) it is constituted under the law of the United Kingdom or an EEA territory, and
 - (b) it has its registered office, central administration or principal place of business within the European Economic Area.
- (14) In subsection (13) “EEA territory”, in relation to any time, means a territory outside the United Kingdom that is within the European Economic Area at that time.

188BI Restriction on surrender losses etc made when dual resident

The surrendering company may not surrender a loss or other amount under this Chapter if the company was not eligible to surrender the loss or other amount under Chapter 2 of Part 5 by reason of section 109 (restriction on losses etc surrenderable by dual resident).

CHAPTER 3

CLAIMS FOR GROUP RELIEF FOR CARRIED-FORWARD LOSSES

Introduction

188CA Overview of Chapter

This Chapter sets out how a company may claim group relief for carried-forward losses and how the relief is given.

Claiming group relief for carried-forward losses

188CB Claims in relation to all the surrenderable amounts

- (1) This section applies in relation to the surrendering company’s surrenderable amounts for the surrender period under Chapter 2.
- (2) If the requirements in subsection (3) are met, a company (“the claimant company”) may make a claim for group relief for carried-forward losses for an accounting period (“the claim period”) in relation to the surrenderable amounts.
- (3) The requirements are as follows –

Requirement 1

The surrendering company consents to the claim.

Requirement 2

There is a period (“the overlapping period”) that is common to the claim period and the surrender period.

Requirement 3

At a time during the overlapping period –

- (a) the group condition is met (see section 188CE)
 - (b) consortium condition 1 is met (see section 188CF), or
 - (c) consortium condition 2 is met (see section 188CG).
- (4) A claim under this section may relate to the whole of the surrenderable amounts or to part of them only.
- (5) This section is subject to section 188CD (claim not allowed by company with unused carried-forward losses of its own).

188CC Claims in relation to the surrenderable amounts that are attributable to a specified accounting period

- (1) This section applies in relation to the surrendering company’s surrenderable amounts for the surrender period under Chapter 2.
- (2) If the requirements in subsection (3) are met, a company (“the claimant company”) may make a claim for group relief for carried-forward losses for an accounting period (“the claim period”) in relation to the surrenderable amounts that are attributable to an accounting period of the surrendering company specified in the claim (“the specified loss-making period”).
- (3) The requirements are as follows –

Requirement 1

The surrendering company consents to the claim.

Requirement 2

There is a period (“the overlapping period”) that is common to the claim period and the surrender period.

Requirement 3

Consortium condition 3 (see section 188CH) or consortium condition 4 (see section 188CI) is met throughout a period which –

- (a) begins before or during the specified loss-making period, and
 - (b) ends during or after the overlapping period.
- (4) A claim under this section may relate to the whole of the surrenderable amounts attributable to the specified loss-making period or to part of them only.
- (5) This section is subject to section 188CD (claim not allowed by company with unused carried-forward losses of its own)

188CD Claim not allowed by company with unused carried-forward losses of its own

A company may not make a claim for group relief for carried-forward losses for an accounting period if –

- (a) any amount carried forward to that period under any provision mentioned in section 188BB(1) or under section 124B of FA 2012 is not deducted in full from the total profits of the company for that period at Step 2 of section 4(2),

- (b) the company makes a claim under section 458(1) of CTA 2009 for any amount of a deficit to be excepted from being set off against profits of that period,
- (c) the company makes a claim under section 45(4A) that the profits of a trade of that period are not to be reduced or are not to be reduced by more than a specified amount, or
- (d) the company makes a claim under section 45B(5) for relief not to be given in that period for an amount of a loss or for a specified part of an amount of a loss.

188CE The group condition

- (1) The group condition is met if the surrendering company and the claimant company –
 - (a) are members of the same group of companies, and
 - (b) are both UK related.
- (2) For the meaning of “UK related” in subsection (1)(b) and in sections 188CF to 188CI, see section 188CJ.

188CF Consortium condition 1

- (1) Consortium condition 1 is met if –
 - (a) the claimant company is a trading company or a holding company,
 - (b) the claimant company is owned by a consortium,
 - (c) the surrendering company is a member of the consortium, and
 - (d) both companies are UK related.
- (2) But consortium condition 1 is not met if a profit on a sale within subsection (3) by the surrendering company would be a trading receipt of the surrendering company.
- (3) A sale is within this subsection if it is a sale of –
 - (a) the share capital the surrendering company owns in the claimant company, or
 - (b) if the claimant company is owned by the consortium as a result of section 153(3) (consortiums involving holding companies), the share capital the surrendering company owns in the holding company in question.

188CG Consortium condition 2

- (1) Consortium condition 2 is met if –
 - (a) the claimant company is a trading company or a holding company,
 - (b) the claimant company is owned by a consortium,
 - (c) the surrendering company is not a member of the consortium,
 - (d) the surrendering company is a member of the same group of companies as a third company (“the link company”),
 - (e) the link company is a member of the consortium,
 - (f) the surrendering company and the claimant company are both UK related.

- (2) But consortium condition 2 is not met if a profit on a sale within subsection (3) by the link company would be a trading receipt of that company.
- (3) A sale is within this subsection if it is a sale of—
 - (a) the share capital the link company owns in the claimant company, or
 - (b) if the claimant company is owned by the consortium as a result of section 153(3) (consortiums involving holding companies), the share capital the link company owns in the holding company in question.

188CH Consortium condition 3

- (1) Consortium condition 3 is met if—
 - (a) the surrendering company is a trading company or a holding company,
 - (b) the surrendering company is owned by a consortium,
 - (c) the claimant company is a member of the consortium, and
 - (d) both companies are UK related.
- (2) But consortium condition 3 is not met if a profit on a sale within subsection (3) by the claimant company would be a trading receipt of the claimant company.
- (3) A sale is within this subsection if it is a sale of—
 - (a) the share capital the claimant company owns in the surrendering company, or
 - (b) if the surrendering company is owned by the consortium as a result of section 153(3) (consortiums involving holding companies), the share capital the claimant company owns in the holding company in question.

188CI Consortium condition 4

- (1) Consortium condition 4 is met if—
 - (a) the surrendering company is a trading company or a holding company,
 - (b) the surrendering company is owned by a consortium,
 - (c) the claimant company is not a member of the consortium,
 - (d) the claimant company is a member of the same group of companies as a third company (“the link company”),
 - (e) the link company is a member of the consortium, and
 - (f) the claimant company and the surrendering company are both UK related.
- (2) But consortium condition 4 is not met if a profit on a sale within subsection (3) by the link company would be a trading receipt of that company.
- (3) A sale is within this subsection if it is a sale of—
 - (a) the share capital the link company owns in the surrendering company, or
 - (b) if the surrendering company is owned by the consortium as a result of section 153(3) (consortiums involving holding

companies), the share capital the link company owns in the holding company in question.

188CJ Meaning of “UK related” company

For the purpose of sections 188CE to 188CI a company is UK related if –

- (a) it is a UK resident company, or
- (b) it is a non-UK resident company carrying on a trade in the United Kingdom through a permanent establishment.

Giving group relief for carried-forward losses

188CK Deductions from total profits

- (1) If a claimant company makes a claim under section 188CB or 188CC, the group relief for carried-forward losses is given by the making of a deduction from the claimant company’s total profits of the claim period.
- (2) In the case of a claim under section 188CB, the amount of the deduction under subsection (1) is –
 - (a) an amount equal to the surrendering company’s surrenderable amounts for the surrender period, or
 - (b) if the claim is in relation to only part of those amounts, an amount equal to that part.
- (3) Subsection (2) is subject to –
 - (a) subsections (6) to (9),
 - (b) the limitations set out in Chapter 4, and
 - (c) section 269ZD (restriction on deductions from total profits).
- (4) In the case of a claim under section 188CC, the amount of the deduction under subsection (1) is –
 - (a) an amount equal to the surrendering company’s surrenderable amounts for the surrender period that are attributable to the specified loss-making period, or
 - (b) if the claim is in relation to only part of those amounts, an amount equal to that part.
- (5) Subsection (4) is subject to –
 - (a) subsections (6) to (9),
 - (b) the limitations set out in Chapter 5, and
 - (c) section 269ZD (restriction on deductions from total profits).
- (6) A deduction under subsection (1) is to be made –
 - (a) before deductions for relief within subsection (7), but
 - (b) after all other deductions to be made at Step 2 in section 4(2) (apart from deductions for group relief for carried-forward losses on other claims).
- (7) The deductions within this subsection are deductions for relief –
 - (a) under section 37 in relation to a loss made in an accounting period after the claim period,

- (b) under section 260(3) of CAA 2001 in relation to capital allowances for an accounting period after the claim period, and
 - (c) under section 389 or 463B of CTA 2009 in relation to a deficit of a deficit period after the claim period.
- (8) For the purposes of subsection (6)(b) it is to be assumed that the claimant company has claimed all relief available to it for the claim period under section 37 of this Act or section 260(3) of CAA 2001.
- (9) Corporation tax relief is not to be given more than once for the same amount, whether –
- (a) by giving group relief for carried-forward losses and by giving some other relief (for any accounting period) to the surrendering company, or
 - (b) by giving group relief for carried-forward losses more than once.

CHAPTER 4

LIMITATIONS ON RELIEF: CLAIMS UNDER SECTION 188CB

Introduction

188DA Overview

This Chapter sets out limitations on the amount of relief which may be given on a claim under section 188CB.

General limitation on amount of relief

188DB Limitation on amount of relief applying to all claims under section 188CB

- (1) The amount of group relief for carried-forward losses to be given on a claim under section 188CB (“the current claim”) is limited to whichever is the lesser of –
 - (a) the amount mentioned in subsection (2), and
 - (b) the amount mentioned in subsection (3).
- (2) The amount referred to in subsection (1)(a) is the unused part of the surrenderable amounts (see section 188DC).
- (3) The amount referred to in subsection (1)(b) is the difference between –
 - (a) the claimant company’s relevant profits for the overlapping period (see section 188DD), and
 - (b) the amount of previously claimed group relief for carried-forward losses for the overlapping period (see section 188DE).

188DC Unused part of the surrenderable amounts

- (1) The unused part of the surrenderable amounts is the amount equal to –

- (a) the surrenderable amount for the overlapping period (see subsection (2)), less
 - (b) the amount of prior surrenders for that period (see subsections (3) to (5)).
- (2) To determine the surrenderable amount for the overlapping period –
- (a) take the proportion of the surrender period included in the overlapping period, and
 - (b) apply that proportion to the surrenderable amounts for the surrender period.

The surrenderable amount for the overlapping period is the amount given as a result of paragraph (b).

- (3) To determine the amount of prior surrenders for the overlapping period –
- (a) identify any prior claims for the purposes of this section (see subsection (4)), and
 - (b) take the steps set out in subsection (5) in relation to each such claim.

The amount of prior surrenders for the overlapping period is the total of the previously used amounts given at Step 3 in subsection (5) for all the prior claims.

- (4) A claim is a prior claim for the purposes of this section if –
- (a) it is either –
 - (i) a claim under section 188CB by any company which relates to the same amounts as the current claim, or
 - (ii) a claim under section 188CC by any company which relates to amounts included in the amounts to which the current claim relates,
 - (b) it is made before the current claim, and
 - (c) it has not been withdrawn.
- (5) These are the steps referred to in subsection (3)(b) to be taken in relation to each prior claim.

Step 1

Identify the overlapping period for the prior claim.

Step 2

Identify any period that is common to the overlapping period for the current claim and the overlapping period for the prior claim.

If there is a common period, go to Step 3.

If there is no common period, there is no previously used amount in relation to the prior claim (and ignore Step 3).

Step 3

Determine the previously used amount of group relief for carried-forward losses in relation to the prior claim (see subsection (6)).

- (6) To determine the previously used amount of group relief for carried-forward losses in relation to a prior claim –
- (a) take the proportion of the overlapping period for the prior claim that is included in the common period identified at Step 2 in relation to that claim, and

- (b) apply that proportion to the amount of group relief for carried-forward losses given on the prior claim.

The previously used amount of group relief for carried-forward losses in relation to the prior claim is the amount given as a result of paragraph (b).

- (7) For the meaning of the “overlapping period” see section 188DG.

188DD Claimant company’s relevant profits for overlapping period

The claimant company’s relevant profits for the overlapping period are determined as follows –

Step 1

Calculate –

- (a) the claimant company’s relevant profits for the claim period in accordance with section 269ZF, and
- (b) the claimant company’s relevant maximum for the claim period in accordance with section 269ZD(4).

Step 2

Take whichever is the lesser of the amounts calculated at step 1 and deduct from that amount the sum of –

- (a) any deductions made by the company for the claim period under section 45(4)(b) or 45B(4),
- (b) any deductions made by the company for the claim period under section 457(3) of CTA 2009, and
- (c) any deductions made by the company for the claim period which are deductions within any of paragraphs (a) to (j) of section 269ZD(3).

Step 3

Take the proportion of the claim period included in the overlapping period and apply that proportion to the amount arrived at under step 2.

188DE Previously claimed group relief for carried-forward losses

- (1) To determine the amount of previously claimed group relief for carried-forward losses for the overlapping period –
 - (a) identify any prior claims for the purposes of this section (see subsection (2)), and
 - (b) take the steps set out in subsection (3) in relation to each such claim.

The amount of previously claimed group relief for carried-forward losses for the overlapping period is the total of the previously claimed amounts given at Step 3 in subsection (3) for all the prior claims.

- (2) A claim is a prior claim for the purposes of this section if –
 - (a) it is a claim under section 188CB or 188CC by the claimant company for group relief for carried-forward losses which would be given by way of a deduction from the company’s total profits of the claim period,
 - (b) it is made before the current claim, and
 - (c) it has not been withdrawn.

- (3) These are the steps referred to in subsection (1)(b) to be taken in relation to each prior claim.

Step 1

Identify the overlapping period for the prior claim.

Step 2

Identify any period that is common to the overlapping period for the current claim and the overlapping period for the prior claim.

If there is a common period, go to Step 3.

If there is no common period, there is no previously claimed amount in relation to the prior claim (and ignore Step 3).

Step 3

Determine the previously claimed amount of group relief for carried forward losses in relation to the prior claim (see subsection (4)).

- (4) To determine the previously claimed amount of group relief for carried-forward losses in relation to a prior claim –
- (a) take the proportion of the overlapping period for the prior claim that is included in the common period identified at Step 2 in relation to that claim, and
 - (b) apply that proportion to the amount of group relief for carried-forward losses given on the prior claim.

The previously claimed amount of group relief for carried-forward losses in relation to the prior claim is the amount given as a result of paragraph (b).

188DF Sections 188DC to 188DE: supplementary

- (1) If two or more claims for group relief for carried-forward losses are made at the same time, for the purpose of section 188DC and 188DE treat the claims as made –
 - (a) in such order as the company making them may elect or the companies making them may jointly elect, or
 - (b) if no such election is made, in such order as an officer of Revenue and Customs may direct.
- (2) For the purpose of Step 3 in each of section 188DC(5) and 188DE(3) the amount of group relief for carried-forward losses given on a prior claim is determined on the basis that relief is given on the claim before it is given on any later claim.
- (3) If the use of any proportion mentioned in subsection (4), would, in the circumstances of a particular case, produce a result that is unjust or unreasonable, the proportion is to be modified so far as necessary to produce a result that is just and reasonable.
- (4) The proportions are those found in –
 - (a) section 188DC(2),
 - (b) section 188DC(6),
 - (c) step 3 in section 188DD, and
 - (d) section 188DE(4)

188DG Sections 188DC and 188DE: meaning of “the overlapping period”

- (1) In sections 188DC and 188DE “the overlapping period”, in relation to a claim for group relief for carried-forward losses, means the period

that is common to the claim period and the surrender period (see Requirement 2 in section 188CB(3) and Requirement 2 in section 188CC(3)).

- (2) But if during any part of the overlapping period the relief condition is not met, that part is treated as not forming part of the overlapping period but instead as forming –
 - (a) a part of the surrender period that is not included in the overlapping period, and
 - (b) a part of the claim period that is not included in the overlapping period.
- (3) The relief condition is the condition on which the claim for group relief for carried forward losses is based, that is –
 - the group condition,
 - consortium condition 1,
 - consortium condition 2,
 - consortium condition 3, or
 - consortium condition 4.

Further limitations on amount of relief if claim based on consortium conditions 1 or 2

188DH Condition 1: ownership proportion

- (1) This section applies if –
 - (a) the claimant company makes a claim under section 188CB for group relief for carried-forward losses, and
 - (b) the claim is based on consortium condition 1.
- (2) The relief to be given on the claim is limited to the ownership proportion of the claimant company’s relevant profits for the overlapping period (see section 188DD to determine the claimant company’s relevant profits for the overlapping period).
- (3) The ownership proportion is the same as the lowest of the following proportions prevailing during the overlapping period –
 - (a) the proportion of the ordinary share capital of the claimant company that is beneficially owned by the surrendering company,
 - (b) the proportion of any profits available for distribution to equity holders of the claimant company to which the surrendering company is beneficially entitled,
 - (c) the proportion of any assets of the claimant company available for distribution to such equity holders on a winding up to which the surrendering company would be beneficially entitled, and
 - (d) the proportion of the voting power in the claimant company that is directly possessed by the surrendering company.
- (4) If any of the proportions in subsection (3) changes during the overlapping period, use the average of that proportion during that period.

- (5) If the claimant company is owned by the consortium company as a result of section 153(3) (consortium company involving holding companies), references in subsection (3) to the claimant company are to be read as references to the holding company in question.
- (6) In this section “the overlapping period” is to be read in accordance with section 188DG.
- (7) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (3)(b) and (c).

188DI Condition 2: ownership proportion

- (1) This section applies if –
 - (a) the claimant company makes a claim under section 188CB for group relief for carried-forward losses, and
 - (b) the claim is based on consortium condition 2.
- (2) The limitation on relief in section 188DH applies in relation to the claim, but for this purpose references in section 188DH(3) to the surrendering company are to be read as reference to the link company.

188DJ Condition 2: companies in link company’s group

- (1) Where –
 - (a) the claimant company makes a claim under section 188CB, and
 - (b) the claim is based on consortium condition 2,the amount of relief to be given on the claim is limited by subsections (2) and (3).
- (2) There is a limit on the amount of group relief for carried-forward losses that can be given, in total, to the claimant company for the claim period on consortium claims made in relation to losses and other amounts surrendered by the link company and group companies.
- (3) That limit is the same as the limit that, as a result of section 188DH(2), would apply for the purposes of a consortium claim made by the claimant company for the claim period in relation to losses or other amounts surrendered by the link company, assuming that the link company was UK related.
- (4) In determining the limit that would apply as a result of section 188DH(2) it is to be assumed that the accounting period of the link company is the same as the accounting period of the claimant company.
- (5) In this section –
 - “consortium claim” means a claim for group relief for carried-forward losses under section 188CB,
 - “group company” means a company that is a member of the same group of companies as the link company (other than the link company itself), and
 - “UK related”, in relation to a company, has the meaning given by section 188CJ.

188DK Condition 1 and 2: claimant company not controlled by surrendering company etc

- (1) This section applies if –
 - (a) the claimant company makes a claim under section 188CB for group relief for carried-forward losses,
 - (b) the claim is based on consortium condition 1, and
 - (c) during any part of the overlapping period, arrangements within subsection (3) are in place which enable a person to prevent the surrendering company, either alone or together with one or more other companies that are members of the consortium, from controlling the claimant company.
- (2) This section also applies if –
 - (a) the claimant company makes a claim under section 188CB for group relief for carried-forward losses,
 - (b) the claim is based on consortium condition 2, and
 - (c) during any part of the overlapping period, arrangements within subsection (3) are in place which enable a person to prevent the link company, either alone or together with one or more other companies that are members of the consortium, from controlling the claimant company.
- (3) Arrangements are within this subsection if –
 - (a) the company, either alone or together with one or more other companies that are members of the consortium, would control the claimant company, but for the existence of the arrangements, and
 - (b) the arrangements form part of a scheme the main purpose, or one of the main purposes, of which is to enable the claimant company to obtain a tax advantage under this Chapter.
- (4) The relief to be given on the claim is to be determined as if the claimant company’s relevant profits for the overlapping period were 50% of what they would be but for this section (see section 188DD to determine the claimant company’s relevant profits for the overlapping period).
- (5) In this section “the overlapping period” is to be read in accordance with section 188DG
- (6) Section 1139 (“tax advantage”) applies for the purposes of this section.

188DL Conditions 1 and 2: claimant company in group of companies

- (1) This section applies if –
 - (a) the claimant company makes a claim under section 188CB based on consortium condition 1 or 2, and
 - (b) the claimant company is a member of a group of companies.
- (2) In determining the claimant company’s relevant profits for the overlapping period under section 188DD, both of the amounts calculated at step 1 of that section are to be treated as reduced (but not below nil) by the group’s potential relief.
- (3) The group’s potential relief is the sum of –

- (a) the maximum amount of group relief for carried-forward losses that could be claimed by the claimant company for the claim period on claims under section 188CB based on the group condition, and
 - (b) the maximum amount of group relief under Part 5 that could be claimed by the claimant company for the claim period on claims under section 130 based on the group condition.
- (4) Before determining the maximum amount of potential group relief for carried-forward losses or potential group relief under subsection (3) take account of any claim made before the claim mentioned in subsection (1) that—
- (a) is a claim for group relief or group relief for carried-forward losses based on the group condition made by another member of the same group of companies as the claimant company, and
 - (b) is in relation to losses or other amounts surrendered.

CHAPTER 5

LIMITATIONS ON RELIEF: CLAIMS UNDER SECTION 188CC

Introduction

188EA Overview of Chapter

This Chapter sets out limitations on the amount of relief which may be given on a claim under section 188CC.

General limitation on amount of relief

188EB Limitation on amount of relief applying to all claims under section 188CC

- (1) The amount of group relief for carried-forward losses to be given on a claim under section 188CC (“the current claim”) is limited to whichever is the lesser of—
 - (a) the amount mentioned in subsection (2),
 - (b) the amount mentioned in subsection (3), and
 - (c) the amount mentioned in subsection (4).
- (2) The amount referred to in subsection (1)(a) is the unused part of the surrenderable amounts that are attributable to the specified loss-making period (see section 188EC).
- (3) The amount referred to in subsection (1)(b) is the difference between—
 - (a) the claimant company’s relevant profits for the overlapping period (see section 188ED), and
 - (b) the amount of previously claimed group relief for carried-forward losses for the overlapping period (see section 188EE).
- (4) The amount referred to in subsection (1)(c) is the potential Part 5 group relief amount (see section 188EF).

188EC Unused part of surrenderable amounts attributable to specified loss-making period

- (1) The unused part of the surrenderable amounts that are attributable to the specified loss-making period is the amount equal to –
 - (a) the surrenderable amount for the overlapping period (see subsection (2)), less
 - (b) the amount of prior surrenders for that period (see subsections (3) to (5)).
- (2) To determine the surrenderable amount for the overlapping period –
 - (a) take the proportion of the surrender period included in the overlapping period, and
 - (b) apply that proportion to the surrenderable amounts for the surrender period that are attributable to the specified loss-making period.

The surrenderable amount for the overlapping period is the amount given as a result of paragraph (b).

- (3) To determine the amount of prior surrenders for the overlapping period –
 - (a) identify any prior claims for the purposes of this section (see subsection (4)), and
 - (b) take the steps set out in subsection (5) in relation to each such claim.

The amount of prior surrenders for the overlapping period is the total of the previously used amounts given at Step 3 in subsection (5) for all the prior claims.

- (4) A claim is a prior claim for the purposes of this section if –
 - (a) it is either –
 - (i) a claim under section 188CB by any company which relates to the amounts to which the current claim relates (as well as any other amounts), or
 - (ii) a claim under section 188CC by any company which relates to the same amounts to which the current claim relates,
 - (b) it is made before the current claim, and
 - (c) it has not been withdrawn.
- (5) These are the steps referred to in subsection (3)(b) to be taken in relation to each prior claim.

Step 1

Identify the overlapping period for the prior claim.

Step 2

Identify any period that is common to the overlapping period for the current claim and the overlapping period for the prior claim.

If there is a common period, go to Step 3.

If there is no common period, there is no previously used amount in relation to the prior claim (and ignore Step 3).

Step 3

Determine the previously used amount of group relief for carried-forward losses in relation to the prior claim (see subsections (6) to (8)).

- (6) To determine the previously used amount of group relief for carried-forward losses in relation to a prior claim made under section 188CB –

Step 1

Take the proportion of the overlapping period for the prior claim that is included in the common period identified at step 2 in subsection (5) in relation to that claim.

Step 2

Apply that proportion to the amount of group relief for carried-forward losses given on the claim.

Step 3

Multiply the amount arrived at under step 2 by the fraction set out in subsection (7).

- (7) The fraction is –

$$\frac{A}{B}$$

where –

A is the sum of the surrenderable amounts that are attributable to the specified loss-making period, and

B is the sum of all the surrenderable amounts.

- (8) To determine the previously used amount of group for carried-forward losses in relation to a prior claim made under section 188CC –

(a) take the proportion of the overlapping period for the prior claim that is included in the common period identified at Step 2 in subsection (5) in relation to that claim, and

(b) apply that proportion to the amount of group relief for carried-forward losses given on the prior claim.

The previously used amount of group relief for carried-forward losses in relation to the prior claim is the amount given as a result of paragraph (b).

188ED Claimant company's relevant profits for the overlapping period

The claimant company's relevant profits for the overlapping period are determined as follows –

Step 1

Calculate –

(a) the claimant company's relevant profits for the claim period in accordance with section 269ZF, and

(b) the claimant company's relevant maximum for the claim period in accordance with section 269ZD(4).

Step 2

Take whichever is the lesser of the amounts calculated at Step 1 and deduct from that amount the sum of –

(a) any deductions made by the company for the claim period under section 45(4)(b) or 45B,

- (b) any deduction made by the company for the claim period under section 457(3) of CTA 2009, and
- (c) any deductions made by the company for the claim period which are deductions within any of paragraphs (a) to (j) of section 269ZD(3).

Step 3

Take the proportion of the claim period included in the overlapping period and apply that proportion to the amount arrived at under step 2.

188EE Previously claimed group relief for carried-forward losses

- (1) To determine the amount of previously claimed group relief for carried-forward losses for the overlapping period –
 - (a) identify any prior claims for the purposes of this section (see subsection (2)), and
 - (b) take the steps set out in subsection (3) in relation to each such claim.

The amount of previously claimed group relief for carried-forward losses for the overlapping period is the total of the previously claimed amounts given at Step 3 in subsection (3) for all the prior claims.

- (2) A claim is a prior claim for the purposes of this section if –
 - (a) it is a claim under section 188CB or 188CC by the claimant company for group relief for carried-forward losses which would be given by way of a deduction from the company's total profits of the claim period,
 - (b) it is made before the current claim, and
 - (c) it has not been withdrawn.
- (3) These are the steps referred to in subsection (1)(b) to be taken in relation to each prior claim.

Step 1

Identify the overlapping period for the prior claim.

Step 2

Identify any period that is common to the overlapping period for the current claim and the overlapping period for the prior claim.

If there is a common period, go to Step 3.

If there is no common period, there is no previously claimed amount in relation to the prior claim (and ignore Step 3).

Step 3

Determine the previously claimed amount of group relief for carried forward losses in relation to the prior claim (see subsection (4)).

- (4) To determine the previously claimed amount of group relief for carried-forward losses in relation to a prior claim –
 - (a) take the proportion of the overlapping period for the prior claim that is included in the common period identified at Step 2 in subsection (3) in relation to that claim, and
 - (b) apply that proportion to the amount of group relief for carried-forward losses given on the prior claim.

The previously claimed amount of group relief for carried-forward losses in relation to the prior claim is the amount given as a result of paragraph (b).

188EF The potential Part 5 group relief amount

- (1) The potential Part 5 group relief amount is determined as follows –

Step 1

Calculate the maximum amount of group relief that could have been given to the claimant company under Part 5 in relation to losses or other amounts within section 99(1) which the surrendering company had for the specified loss-making period.

In applying this step, ignore any lack of profits of the claimant company from which deductions could have been made as mentioned in section 137(1).

Step 2

Deduct from the amount arrived at under step 1 the amount of any group relief actually given to the claimant company under Part 5 in relation to losses or other amounts within section 99(1) which the surrendering company had for the specified loss-making period.

Step 3

Multiply the amount arrived at following step 2 by the fraction in subsection (2).

Step 4

Deduct from the amount arrived at following step 3 any group relief for carried-forward losses previously given to the claimant company on claims under section 188CC which are related to the current claim.

- (2) The fraction referred to in step 3 is –

$$\frac{A}{B}$$

where –

A is the sum of the losses or other amounts within section 99(1)(a), (c), (e), (f) and (g) which the surrendering company had for the specified loss-making period, and

B is the sum of the losses or other amounts within section 99(1) (a) to (g) which the surrendering company had for the specified loss-making period.

- (3) References in subsection (2) to losses or other amounts are references to losses or other amounts only in so far as they were eligible for surrender under Chapter 2 of Part 5.
- (4) A claim under section 188CC is related to the current claim if the surrendering company and the specified loss-making period are the same in relation to both claims.

188EG Sections 188EC to 188EE: supplementary

- (1) If two or more claims for group relief for carried-forward losses are made at the same time, for the purpose of section 188EC and 188EE treat the claims as made –
- (a) in such order as the company making them may elect or the companies making them may jointly elect, or

- (b) if no such election is made, in such order as an officer of Revenue and Customs may direct.
- (2) For the purpose of Step 3 in each of sections 188EC(5) and 188EE(3) the amount of group relief for carried-forward losses given on a prior claim is determined on the basis that relief is given on the claim before it is given on any later claim.
- (3) If the use of any proportion mentioned in subsection (4), would, in the circumstances of a particular case, produce a result that is unjust or unreasonable, the proportion is to be modified so far as necessary to produce a result that is just and reasonable.
- (4) The proportions are those found in—
 - (a) section 188EC(2)(a),
 - (b) step 1 in section 188EC(6),
 - (c) section 188EC(8)(a),
 - (d) step 3 in section 188ED, and
 - (e) section 188EE(4)(a).

188EH Sections 188EC and 188EE: meaning of “the overlapping period”

- (1) In sections 188EC and 188EE “the overlapping period”, in relation to a claim for group relief for carried-forward losses, means the period that is common to the claim period and the surrender period (see Requirement 2 in section 188CB(3) and Requirement 2 in section 188CC(3)).
- (2) But if during any part of the overlapping period the relief condition is not met, that part is treated as not forming part of the overlapping period but instead as forming—
 - (a) a part of the surrender period that is not included in the overlapping period, and
 - (b) a part of the claim period that is not included in the overlapping period.
- (3) The relief condition is the condition on which the claim for group relief for carried forward losses is based, that is—
 - the group condition,
 - consortium condition 1,
 - consortium condition 2,
 - consortium condition 3, or
 - consortium condition 4.

Further limitations on amount of relief that apply in particular cases

188EI Condition 4: companies in link company’s group

- (1) Where—
 - (a) the claimant company makes a claim under section 188CC, and
 - (b) the claim is based on consortium condition 4
 the amount of relief to be given on the claim is limited by subsections (2) and (3).

-
- (2) There is a limit on the amount of group relief for carried-forward losses that can be given, in total, on relevant consortium claims made by the link company and group companies.
 - (3) That limit is the maximum amount of group relief for carried-forward losses that could be given to the link company on relevant consortium claims –
 - (a) assuming that no relevant consortium claims were made by group companies based on consortium condition 4,
 - (b) assuming that the link company was UK related, and
 - (c) ignoring any lack of profits of the link company from which deductions could be made as mentioned in section 188CK(1).
 - (4) In this section –
 - “consortium claim” means a claim made under section 188CC for group relief for carried-forward losses,
 - “group company” means a company that is a member of the same group of companies as the link company (other than the link company),
 - “relevant consortium claim” means a consortium claim in relation to which the surrendering company, the surrender period and the specified loss-making period are the same as is the case for the claim mentioned in subsection (1), and
 - “UK related”, in relation to a company, has the meaning given by section 188CJ

188EJ Conditions 3 or 4: surrendering company not controlled by claimant company etc

- (1) This section applies if –
 - (a) the claimant company makes a claim under section 188CC for group relief for carried-forward losses,
 - (b) the claim is based on consortium condition 3, and
 - (c) during any part of the overlapping period, arrangements within subsection (3) are in place which enable a person to prevent the claimant company, either alone or together with one or more other companies that are members of the consortium, from controlling the surrendering company.
- (2) This section also applies if –
 - (a) the claimant company makes a claim under section 188CC for group relief for carried-forward losses,
 - (b) the claim is based on consortium condition 4, and
 - (c) during any part of the overlapping period, arrangements within subsection (3) are in place which enable a person to prevent the link company, either alone or together with one or more other companies that are members of the consortium, from controlling the surrendering company.
- (3) Arrangements are within this subsection if –
 - (a) the company, either alone or together with one or more other companies that are members of the consortium, would control the surrendering company, but for the existence of the arrangements, and

- (b) the arrangements form part of a scheme the main purpose, or one of the main purposes, of which is to enable the claimant company to obtain a tax advantage under this Chapter.
- (4) The relief to be given on the claim is to be determined as if the surrenderable amount for the overlapping period were 50% of what it would be but for this section (see section 188EC(2) to determine the surrenderable amount for the overlapping period).

188EK Conditions 3 or 4: surrendering company in group of companies

- (1) This section applies if –
 - (a) the claimant company makes a claim under section 188CC for group relief for carried-forward losses, and
 - (b) the surrendering company is a member of a group of companies.
- (2) The surrendering company's surrenderable amounts for the surrender period that are attributable to the specified loss-making period are to be treated as reduced (but not below nil) by the relevant amount.
- (3) To determine the relevant amount –
 - Step 1*
Calculate the group's potential relief.
 - Step 2*
Multiply the amount arrived at under step 1 by the fraction set out in subsection (6).
- (4) The group's potential relief is the maximum amount of group relief for carried-forward losses that could be given if every claim that could be made based on the group condition in respect of the surrenderable amounts for the surrender period was in fact made (and for this purpose it is to be assumed that the maximum possible claim is made in each case).
- (5) Before determining the maximum amount of potential group relief for carried-forward losses under subsection (4), take account of any claim made before the current claim that –
 - (a) is a claim for group relief for carried-forward losses based on the group condition, and
 - (b) is in relation to losses or other amounts surrendered by a member of the same group of companies as the surrendering company (other than the surrendering company itself).
- (6) The fraction mentioned in step 2 in subsection (3) is –

$$\frac{A}{B}$$

where –

- A is the sum of the surrendering company's surrenderable amounts for the surrender period that are attributable to the specified loss-making period, and
- B is the sum of all the surrendering company's surrenderable amounts for the surrender period.

CHAPTER 6

MISCELLANEOUS PROVISIONS AND INTERPRETATION OF PART

*Miscellaneous***188FA Payments for group relief for carried-forward losses**

- (1) This section applies if—
 - (a) the surrendering company and the claimant company have an agreement between them in relation to losses and other amounts of the surrendering company (“the agreed loss amounts”),
 - (b) group relief for carried-forward losses is given to the claimant company in relation to the agreed loss amounts, and
 - (c) as a result of the agreement the claimant company makes a payment to the surrendering company that does not exceed the total amount of the agreed loss amounts.
- (2) The payment—
 - (a) is not to be taken into account in determining the profits or losses of either company for corporation tax purposes, and
 - (b) for corporation tax purposes is not to be regarded as a distribution.

*Interpretation***188FB Subsidiaries, groups and consortiums**

Chapter 5 of Part 5 (which explains certain key concepts for the purposes of Part 5, including (in particular) how to determine if a company is a member of a group of companies or is a member of, or is owned by a consortium) applies for the purposes of this Part as it applies for the purposes of Part 5.

188FC “Trading company” and “holding company”

- (1) In this Part “trading company” means a company the business of which consists wholly or mainly in the carrying on of a trade.
- (2) In this Part “holding company” means a company the business of which consists wholly or mainly in the holding of shares or securities that—
 - (a) are its 90% subsidiaries, and
 - (b) are trading companies.

188FD Other definitions

- (1) In this Part—
 - “the claimant company” has the meaning given by section 188CB(2) or 188CC(2),
 - “the claim period” has the meaning given by section 188CB(2) or 188CC(2),
 - “company” means any body corporate,
 - “group relief for carried-forward losses” has the meaning given by section 188AA(4)

“profits” means income and chargeable gains, except in so far as the context otherwise requires,

“the specified loss-making period”, in relation to a claim for group relief for carried forward losses made under section 188CC, has the meaning given by subsection (2) of that section,

“the surrenderable amounts” has the meaning given by section 188BB(8),

“surrendering company” has the meaning given by 188BB(8), and

“the surrender period” has the meaning given by section 188BB(8).

(2) In this Part, except in so far as the context otherwise requires –

(a) references to a trade include an office, and

(b) reference to carrying on a trade include holding an office.”

PART 4

INSURANCE COMPANIES: CARRYING FORWARD BLAGAB TRADE LOSSES

24 Chapter 9 of Part 2 of FA 2012 (relief for BLAGAB trade losses) is amended as follows.

25 (1) Section 124 (carry forward of BLAGAB trade losses against subsequent profits) is amended as follows.

(2) In the heading, after “of” insert “pre-1 April 2017”.

(3) In subsection (1), after “accounting period” insert “beginning before 1 April 2017”.

(4) In subsection (5), at the end insert “(but see also section 124D)”.

26 After section 124 insert –

“124A Carry forward of post-1 April 2017 BLAGAB trade losses against subsequent profits

(1) This section applies if –

(a) an insurance company carrying on basic life assurance and general annuity business makes a BLAGAB trade loss for an accounting period beginning on or after 1 April 2017 (“the loss-making period”),

(b) relief under –

section 37 of CTA 2010 (as applied by section 123), or

section 125 (group relief)

is not given for an amount of the loss (“the unrelieved amount”), and

(c) the company continues to carry on basic life assurance and general annuity business in the next accounting period (“the later period”).

(2) The unrelieved amount is carried forward to the later period.

- (3) Relief for the unrelieved amount is given to the company in the later period if the company has a BLAGAB trade profit for the later period.
- (4) The relief is given as set out in subsection (5).
- (5) For the purposes of—
 - (a) section 93 (minimum profits charge), and
 - (b) section 104 (policyholders' rate of tax),
 the BLAGAB trade profit of the later period is reduced by the unrelieved amount (but see also section 124D).
- (6) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.

124B Excess carried forward post-1 April 2017 losses: relief against total profits

- (1) This section applies if—
 - (a) an amount of an insurance company's BLAGAB trade loss for an accounting period is carried forward to an accounting period of the company ("the later period") under section 124A(2) or 124C(3), and
 - (b) any of that amount ("the unrelieved amount") is not deducted under section 124A(5) or 124C(6) (as the case may be) from the company's BLAGAB trade profit (if any) of the later period.
- (2) The company may make a claim for relief to be given for the unrelieved amount under this section.
- (3) If the company makes a claim, the relief is given by deducting the unrelieved amount, or any part of it specified in the claim, from the company's total profits of the later period.
- (4) A claim under this section must be made—
 - (a) within the period of two years after the end of the later period, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (5) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.

124C Further carry forward against subsequent profits of post-1 April 2017 loss not fully used

- (1) This section applies if—
 - (a) an amount of an insurance company's BLAGAB trade loss for an accounting period is carried forward to an accounting period ("the later period") of the company under section 124A(2) or subsection (3) of this section,
 - (b) any of that amount is unrelieved in the later period, and

- (c) the company continues to carry on basic life assurance and general annuity business in the accounting period (“the further period”) after the later period.
- (2) An amount carried forward as mentioned in subsection (1)(a) is “unrelieved in the later period” so far as it is not –
 - (a) deducted under section 124A(5) or subsection (6) of this section from the company’s BLAGAB trade profit (if any) of the later period,
 - (b) deducted from the company’s total profits of the later period on a claim under 124B, or
 - (c) surrendered by way of group relief for carried-forward losses under Part 5A of CTA 2010.
 - (3) So much of the amount mentioned in subsection (1)(a) as is unrelieved in the later period is carried forward to the further period.
 - (4) Relief for the amount carried forward under subsection (3) (“the remaining carried forward amount”) is given to the company in the further period if the company has a BLAGAB trade profit for that period.
 - (5) The relief is given as set out in subsection (6).
 - (6) For the purposes of –
 - (a) section 93 (minimum profits charge), and
 - (b) section 104 (policyholders’ rate of tax),
 the BLAGAB trade profit of the further period is reduced by the remaining carried forward amount (but see also section 124D).
 - (7) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.

124D Restriction on deductions from BLAGAB trade profits

- (1) The sum of any deductions made by a company for an accounting period under sections section 124(5), 124A(5) and 124C(6) may not exceed the relevant maximum.
 But this is subject to subsection (5).
- (2) In this section the “relevant maximum” means the sum of –
 - (a) 50% of the company’s relevant BLAGAB trade profits for the accounting period, and
 - (b) the company’s BLAGAB trade profits deductions allowance for the accounting period.
- (3) A company’s “BLAGAB trade profits deductions allowance” for an accounting period –
 - (a) is so much of the company’s deductions allowance for the period as is specified in the company’s tax return as its BLAGAB trade profits deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company’s available deductions allowance for the period is so specified.

- (4) An amount specified under subsection (3)(a) as a company's BLAGAB trade profits deductions allowance for an accounting period may not exceed the difference between –
 - (a) the amount of the company's deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under sections 269ZB(5)(a) of CTA 2010 (trading profits deduction allowance) and 269ZC(5)(a) of CTA 2010 (non-trading profits deduction allowance).
- (5) Subsection (2) does not apply in relation to a company for an accounting period where, in determining the company's relevant BLAGAB trade profits, the amount given by step 1 in section 269ZE(4) of CTA 2010 (calculation of modified total profits without deductions for certain carried-forward amounts) is not greater than nil.
- (6) Section 269ZB(7) of CTA 2010 gives the meaning of "deductions allowance" in relation to a company and an accounting period.
- (7) In this section "relevant BLAGAB trade profits" has the meaning given by section 269ZE(3) of CTA 2010."

PART 5

CARRYING FORWARD TRADE LOSSES MADE IN CERTAIN CREATIVE INDUSTRIES

Losses of film trade

- 27 Chapter 4 of Part 15 of CTA 2009 (losses of separate film trade) is amended as follows.
- 28 (1) Section 1209 (restriction on use of losses while film in production) is amended as follows.
 - (2) In subsection (2) –
 - (a) after "45" insert "or 45B", and
 - (b) for "set against" substitute "deducted from".
 - (3) After subsection (2) insert –
 - "(3) If the loss is carried forward under section 45 or 45B of CTA 2010 and deducted from profits of the separate film trade in a subsequent period, the deduction is to be ignored for the purposes of section 269ZB of CTA 2010 (restriction on deductions from trading profits)."
- 29 (1) Section 1210 (use of losses in later periods) is amended as follows.
 - (2) In subsection (2) after "45" insert "or 45B".
 - (3) In subsection (3) for "loss relief" substitute "section 37 and Part 5 of CTA 2010".
 - (4) In subsection (4) for "Subsection (5) applies" substitute "Subsections (5) and (5A) apply".

- (5) In subsection (5) after paragraph (a) insert –
 “(ab) carried forward under section 45A of that Act to be deducted from the total profits of a later period,”
- (6) After subsection (5) insert –
 “(5A) A deduction under section 45 or 45B of CTA 2010 which is made in respect of so much of the loss as is attributable to film tax relief is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”
- 30 (1) Section 1211 (terminal losses) is amended as follows.
- (2) In subsection (1)(c) –
 (a) after “45” insert “, 45A or 45B”, and
 (b) omit “trade X in”.
- (3) In subsection (3) for the words after “treated” to the end substitute “ –
 (a) in a case where the loss could have been carried forward under section 45 of CTA 2010 had trade X not ceased, as if it were a loss carried forward under that section to be set against the profits of trade Y of the first accounting period beginning after the cessation and so on, and
 (b) in a case where the loss could have been carried forward under section 45A or 45B of CTA 2010 had trade X not ceased, as if it were a loss made in trade Y which has been carried forward under section 45B of that Act to the first accounting period beginning after the cessation.”
- (4) In subsection (6) for the words after “treated” to the end substitute “ –
 (a) in a case where the amount could have been carried forward under section 45 of CTA 2010 had trade X not ceased, as if it were a loss carried forward under that section to be set against the profits of trade Z of the first accounting period beginning after the cessation and so on, and
 (b) in a case where the amount could have been carried forward under section 45A or 45B of CTA 2010 had trade X not ceased, as if it were a loss made in trade Z which has been carried forward under section 45B of that Act to the first accounting period beginning after the cessation.”
- (5) After subsection (7) insert –
 “(7A) A deduction under section 45 or 45B of CTA 2010 which is made in reliance on this section is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”

Losses of television programme trade

- 31 Chapter 4 of Part 15A of CTA 2009 (losses of separate television programme trade) is amended as follows.
- 32 (1) Section 1216DA (restriction on use of losses while programme in production) is amended as follows.
- (2) In subsection (2) –
 (a) after “45” insert “or 45B”, and

- (b) for “set against” substitute “deducted from”.
- (3) After subsection (2) insert –
- “(3) If the loss is carried forward under section 45 or 45B of CTA 2010 and deducted from profits of the separate programme trade in a subsequent period, the deduction is to be ignored for the purposes of section 269ZB of CTA 2010 (restriction on deductions from trading profits).”
- 33 (1) Section 1216DB (use of losses in later periods) is amended as follows.
- (2) In subsection (2) after “45” insert “or 45B”.
- (3) In subsection (3) for “loss relief” substitute “section 37 and Part 5 of CTA 2010”.
- (4) In subsection (4) for “Subsection (5) applies” substitute “Subsections (5) and (5A) apply”.
- (5) In subsection (5) after paragraph (a) insert –
- “(ab) carried forward under section 45A of that Act to be deducted from the total profits of a later period,”
- (6) After subsection (5) insert –
- “(5A) A deduction under section 45 or 45B of CTA 2010 which is made in respect of so much of the loss as is attributable to television tax relief is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”
- 34 (1) Section 1216DC (terminal losses) is amended as follows.
- (2) In subsection (1)(c) –
- (a) after “45” insert “, 45A or 45B”, and
- (b) omit “trade X in”.
- (3) In subsection (3) for the words after “treated” to the end substitute “ –
- (a) in a case where the loss could have been carried forward under section 45 of CTA 2010 had trade X not ceased, as if it were a loss carried forward under that section to be set against the profits of trade Y of the first accounting period beginning after the cessation and so on, and
- (b) in a case where the loss could have been carried forward under section 45A or 45B of CTA 2010 had trade X not ceased, as if it were a loss made in trade Y which has been carried forward under section 45B of that Act to the first accounting period beginning after the cessation.”
- (4) In subsection (6) for the words after “treated” to the end substitute “ –
- (a) in a case where the amount could have been carried forward under section 45 of CTA 2010 had trade X not ceased, as if it were a loss carried forward under that section to be set against the profits of trade Z of the first accounting period beginning after the cessation and so on, and
- (b) in a case where the amount could have been carried forward under section 45A or 45B of CTA 2010 had trade X not ceased, as if it were a loss made in trade Z which has been carried

forward under section 45B of that Act to the first accounting period beginning after the cessation.”

(5) After subsection (7) insert –

“(7A) A deduction under section 45 or 45B of CTA 2010 which is made in reliance on this section is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”

Losses of video game trade

35 Chapter 4 of Part 15B of CTA 2009 (losses of separate video game trade) is amended as follows.

36 (1) Section 1217DA (restriction on use of losses while video game in development) is amended as follows.

(2) In subsection (2) –

(a) after “45” insert “or 45B”, and

(b) for “set against” substitute “deducted from”.

(3) After subsection (2) insert –

“(3) If the loss is carried forward under section 45 or 45B of CTA 2010 and deducted from profits of the separate video game trade in a subsequent period, the deduction is to be ignored for the purposes of section 269ZB of CTA 2010 (restriction on deductions from trading profits).”

37 (1) Section 1217DB (use of losses in later periods) is amended as follows.

(2) In subsection (2) after “45” insert “or 45B”.

(3) In subsection (3) for “loss relief” substitute “section 37 and Part 5 of CTA 2010”.

(4) In subsection (4) for “Subsection (5) applies” substitute “Subsections (5) and (5A) apply”.

(5) In subsection (5) after paragraph (a) insert –

“(ab) carried forward under section 45A of that Act to be deducted from the total profits of a later period,”

(6) After subsection (5) insert –

“(5A) A deduction under section 45 or 45B of CTA 2010 which is made in respect of so much of the loss as is attributable to video games tax relief is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”

38 (1) Section 1217DC (terminal losses) is amended as follows.

(2) In subsection (1)(c) –

(a) after “45” insert “, 45A or 45B”, and

(b) omit “trade X in”.

(3) In subsection (3) for the words after “treated” to the end substitute “ –

(a) in a case where the loss could have been carried forward under section 45 of CTA 2010 had trade X not ceased, as if it

- were a loss carried forward under that section to be set against the profits of trade Y of the first accounting period beginning after the cessation and so on, and
- (b) in a case where the loss could have been carried forward under section 45A or 45B of CTA 2010 had trade X not ceased, as if it were a loss made in trade Y which has been carried forward under section 45B of that Act to the first accounting period beginning after the cessation.”
- (4) In subsection (6) for the words after “treated” to the end substitute “ –
- (a) in a case where the amount could have been carried forward under section 45 of CTA 2010 had trade X not ceased, as if it were a loss carried forward under that section to be set against the profits of trade Z of the first accounting period beginning after the cessation and so on, and
- (b) in a case where the amount could have been carried forward under section 45A or 45B of CTA 2010 had trade X not ceased, as if it were a loss made in trade Z which has been carried forward under section 45B of that Act to the first accounting period beginning after the cessation.”
- (5) After subsection (7) insert –
- “(7A) A deduction under section 45 or 45B of CTA 2010 which is made in reliance on this section is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”

Losses of theatrical trade

- 39 Part 15C of CTA 2009 (theatrical productions) is amended as follows.
- 40 (1) Section 1217MA (restriction on use of losses before completion period) is amended as follows.
- (2) In subsection (1) for “Subsection (2)” substitute “This section”.
- (3) In subsection (2) –
- (a) after “45” insert “or 45B”, and
- (b) for “set against” substitute “deducted from”.
- (4) After subsection (2) insert –
- “(3) If the loss is carried forward under section 45 or 45B of CTA 2010 and deducted from profits of the separate theatrical trade in a subsequent period, the deduction is to be ignored for the purposes of section 269ZB of CTA 2010 (restriction on deductions from trading profits).”
- 41 (1) Section 1217MB (use of losses in the completion period) is amended as follows.
- (2) In subsection (1) after “45” insert “or 45B”.
- (3) In subsection (2) for “loss relief” substitute “section 37 and Part 5 of CTA 2010”.
- 42 (1) Section 1217MC (terminal losses) is amended as follows.
- (2) In subsection (1)(b) after “45” insert “or 45B”.

- (3) In subsection (3) for the words after “treated” to the end substitute “–
- (a) in a case where the loss could have been carried forward under section 45 of CTA 2010 had trade 1 not ceased, as if it were a loss carried forward under that section to be set against the profits of trade 2 of the first accounting period beginning after the cessation and so on, and
 - (b) in a case where the loss could have been carried forward under section 45B of CTA 2010 had trade 1 not ceased, as if it were a loss made in trade 2 which has been carried forward under that section to the first accounting period beginning after the cessation.”
- (4) In subsection (6) for the words after “treated” to the end substitute “–
- (a) in a case where the amount could have been carried forward under section 45 of CTA 2010 had trade 1 not ceased, as if it were a loss carried forward by company B under that section to be set against the profits of company B’s trade of the first accounting period beginning after the cessation and so on, and
 - (b) in a case where the amount could have been carried forward under section 45B of CTA 2010 had trade 1 not ceased, as if it were a loss made in company B’s trade which has been carried forward under that section to the first accounting period beginning after the cessation.”
- (5) After subsection (8) insert –
- “(9) A deduction under section 45 or 45B of CTA 2010 which is made in reliance on this section is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”

Losses of orchestral trade

- 43 Chapter 4 of Part 15D of CTA 2009 (losses of separate orchestral trade) is amended as follows.
- 44 (1) Section 1217SA (restriction on use of losses before completion period) is amended as follows.
- (2) In subsection (1) for “Subsection (2)” substitute “This section”.
 - (3) In subsection (2) –
 - (a) after “45” insert “or 45B”, and
 - (b) for “set against” substitute “deducted from”.
 - (4) After subsection (2) insert –

“(3) If the loss is carried forward under section 45 or 45B of CTA 2010 and deducted from profits of the separate orchestral trade in a subsequent period, the deduction is to be ignored for the purposes of section 269ZB of CTA 2010 (restriction on deductions from trading profits).”
- 45 (1) Section 1217SB (use of losses in the completion period) is amended as follows.
- (2) In subsection (1) after “45” insert “or 45B”.

- (3) In subsection (2) for “loss relief” substitute “section 37 and Part 5 of CTA 2010”.
- 46 (1) Section 1217SC (terminal losses) is amended as follows.
- (2) In subsection (1)(b) after “45” insert “or 45B”.
- (3) In subsection (3) for the words after “treated” to the end substitute “ –
- (a) in a case where the loss could have been carried forward under section 45 of CTA 2010 had trade 1 not ceased, as if it were a loss carried forward under that section to be set against the profits of trade 2 of the first accounting period beginning after the cessation and so on, and
- (b) in a case where the loss could have been carried forward under section 45B of CTA 2010 had trade 1 not ceased, as if it were a loss made in trade 2 which has been carried forward under that section to the first accounting period beginning after the cessation.”
- (4) In subsection (6) for the words after “treated” to the end substitute “ –
- (a) in a case where the amount could have been carried forward under section 45 of CTA 2010 had trade 1 not ceased, as if it were a loss carried forward by company B under that section to be set against the profits of company B’s trade of the first accounting period beginning after the cessation and so on, and
- (b) in a case where the amount could have been carried forward under section 45B of CTA 2010 had trade 1 not ceased, as if it were a loss made in company B’s trade which has been carried forward under that section to the first accounting period beginning after the cessation.”
- (5) After subsection (8) insert –
- “(9) A deduction under section 45 or 45B of CTA 2010 which is made in reliance on this section is to be ignored for the purposes of section 269ZB of that Act (restriction on deductions from trading profits).”

PART 6

TAX AVOIDANCE

Restriction on refreshing losses

- 47 (1) Section 730F of CTA 2010 (meaning of “relevant carried-forward loss”) is amended as follows.
- (2) In subsection (1) –
- (a) after paragraph (a) insert –
- “(aa) a carried-forward UK property business loss (see subsection (2A),”;
- (b) after paragraph (b) insert –
- “(ba) a carried-forward non-trading loss on intangible fixed assets (see subsection (3A),”.
- (3) In subsection (2) –

- (a) after “45” insert “, 45A or 45B”;
 - (b) omit “against subsequent trade profits”.
- (4) In subsection (3), after “457” insert “or 463G”.
- (5) After subsection (2) insert –
- “(2A) “Carried-forward UK property business loss”, in relation to a company and an accounting period, means a loss in a UK property business carried on by the company which is carried forward from a previous accounting period under section 62(5).”
- (6) After subsection (3) insert –
- “(3A) “Carried-forward non-trading loss on intangible fixed assets”, in relation to a company and an accounting period, means a non-trading loss on intangible fixed assets which is carried forward from a previous accounting period under section 753 of CTA 2009 (treatment of non-trading losses).”
- (7) At the end insert –
- “(5) In this section “non-trading loss on intangible fixed assets” is to be read in accordance with Part 8 of CTA 2009.”

Change in company ownership

- 48 Part 14 of CTA 2010 (change in company ownership) is amended as follows.
- 49 In section 672 (overview of Part) after subsection (1) insert –
- “(1A) Chapter 2A restricts relief in some further cases involving a change in the company’s activities.
- (1B) Chapter 2B restricts relief for trading losses in some cases involving the transfer of an asset.
- (1C) Chapters 2C and 2D restrict group relief for carried-forward losses in some cases.”
- 50 (1) Section 673 (introduction to Chapter 2: disallowance of trading losses) is amended as follows.
- (2) In subsection (2), for “3” substitute “5”.
- (3) In subsection (4), in the words after paragraph (b), for “3” substitute “5”.
- (4) The amendments made by this paragraph do not have effect unless both the change in ownership referred to in section 673(1) and the major change in the nature or conduct of a trade referred to in section 673(2) occur on or after 1 April 2017.
- 51 (1) Section 674 (disallowance of trading losses) is amended as follows.
- (2) After subsection (1) insert –
- “(1A) No relief may be given under section 45F (terminal losses) for a loss made by the company in an accounting period ending after the change in ownership –
- (a) by reducing the profits of a trade of an accounting period beginning before the change of ownership, or

- (b) in calculating the company’s taxable total profits of an accounting period beginning before the change of ownership.”
- (3) In subsection (2), after “45” insert “or 45B”.
- (4) After subsection (2) insert –
- “(2A) No relief may be given under section 45A for a loss made by the company in an accounting period beginning before the change in ownership by carrying forward the loss and deducting it from the company’s total profits of an accounting period ending after the change in ownership.”
- 52 After Chapter 2 insert –

“CHAPTER 2A

POST-1 APRIL 2017 LOSSES: FURTHER CASES INVOLVING A CHANGE IN THE COMPANY’S ACTIVITIES

676AA Introduction to Chapter

- (1) This Chapter applies if conditions 1 and 2 are met.
- (2) Condition 1 is that on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).
- (3) Condition 2 is that a major change in the business of the transferred company or a co-transferred company occurs within the required period but not before 1 April 2017.
- (4) The required period is –
 - (a) for the purposes of section 676AF, any period of 5 years in which the change in ownership occurs,
 - (b) for the purposes of sections 676AG to 676AK, the period of 8 years beginning 3 years before the change in ownership.
- (5) In this Chapter –
 - “the change in ownership” means the change in ownership mentioned in subsection (2);
 - “the transferred company” has the meaning given by subsection (2);
 - “trade” includes an office.

676AB Priority of provisions of Chapters 2 and 3 over this Chapter

- (1) If and so far as –
 - (a) a relevant provision of this Chapter, and
 - (b) a relevant provision of Chapter 2 or 3,
 would each (if the other provision were ignored) apply in relation to the same loss or other amount, the relevant provision of this Chapter does not apply in relation to that amount.
- (2) In this section “relevant provision” –
 - (a) in relation to this Chapter means any of the provisions of sections 676AF to 676AK;

- (b) in relation to Chapters 2 and 3 means any of the provisions of sections 674 and 679 to 683.

676AC “Major change in the business” of a company

- (1) In this Chapter references to a “major change in the business” of a company include—
 - (a) a major change in the nature or conduct of any trade or business carried on by the company,
 - (b) a major change in the scale of any trade or business carried on by the company, and
 - (c) beginning or ceasing to carry on a particular trade or business.
- (2) In subsection (1) the reference to a major change in the “nature or conduct” of a trade or business includes—
 - (a) a major change in the type of property dealt in, or services or facilities provided in, the trade or business concerned,
 - (b) a major change in customers, outlets or markets of the trade or business concerned,
 - (c) a major change in the nature of the investments held by the company for the purposes of an investment business.
- (3) The definitions in subsections (1) and (2) apply even if the change is the result of a gradual process which began before the period of 5 years mentioned in section 676AA(4)(a) or (as the case may be) the period of 8 years mentioned in section 676AA(4)(b).
- (4) Where the condition in subsection (5) is met in the case of any two companies, the transfer of a trade or business, or any property, from one of them to the other is to be disregarded in determining for the purposes of section 676AA(3) whether or not there is a major change in the business of either of those companies.
- (5) The condition is that the companies are related to one another both—
 - (a) immediately before the change in ownership, and
 - (b) at the time of the transfer mentioned in subsection (4).

676AD Notional split of accounting period in which change in ownership occurs

- (1) This section applies for the purposes of this Chapter.
- (2) The accounting period in which the change in ownership occurs (“the actual accounting period”) is treated as two separate accounting periods (“notional accounting periods”), the first ending with the change and the second consisting of the remainder of the period.
- (3) Section 685 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 3.
- (4) The amounts for the actual accounting period in column 1 of the table in section 685(2) are apportioned to the two notional accounting periods in accordance with section 685.

- (5) In this Chapter, and in sections 685 and 686 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

676AE “Affected profits”

- (1) This section has effect for the purposes of this Chapter.
- (2) Profits of an accounting period ending after the change in ownership are “affected profits” if and so far as –
- (a) they arise before the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs, and
 - (b) they can fairly and reasonably be attributed to activities, or other sources of income, as a result of which, or partly as a result of which, the major change referred to in section 676AA(3) has occurred.
- (3) If an accounting period of the company begins before, and ends after, the anniversary mentioned in subsection (2), then for the purposes of that subsection –
- (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
 - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (4) Any apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

676AF Restriction on use of carried-forward post-1 April trade losses

A loss made by the transferred company in an accounting period beginning before the change in ownership may not be deducted under section 45A(5) (carry-forward of post-1 April trade losses) or section 45F(3) (carried-forward losses: terminal relief) from affected profits of an accounting period ending after the change in ownership.

676AG Restriction on debits to be brought into account

- (1) This section has effect for the purpose of restricting the debits to be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of the transferred company’s loan relationships.
- (2) The debits to be brought into account for the purposes of Part 5 of CTA 2009 for –
- (a) the accounting period beginning immediately after the change in ownership, or
 - (b) any subsequent accounting period,
- do not include relevant non-trading debits so far as amount A exceeds amount B.

- (3) Amount A is the sum of –
 - (a) the amount of those relevant non-trading debits, and
 - (b) the amount of any relevant non-trading debits which have been brought into account for the purposes of that Part for any previous accounting period ending after the change in ownership.
- (4) Amount B is the amount of the taxable total profits of the accounting period ending with the change in ownership.
- (5) For the meaning of “relevant non-trading debit”, see section 730.

676AH Restriction on the carry forward of post-1 April 2017 non-trading deficit from loan relationships

- (1) This section has effect for the purpose of restricting the carry forward under Chapter 16A of Part 5 of CTA 2009 (non-trading deficits: post 1 April 2017 deficits) of a pre-acquisition non-trading deficit from the transferred company’s loan relationships.
- (2) For the purposes of this section an amount is a “pre-acquisition” non-trading deficit from a company’s loan relationships if it is a non-trading deficit from the company’s loan relationships for an accounting period beginning before the change in ownership.
- (3) Subsection (4) applies if, in the case of a pre-acquisition non-trading deficit on the transferred company’s loan relationships, the non-trading deficit in column 1 of row 4 of the table in section 685(2) is apportioned in accordance with section 685(2) to the first notional accounting period.
- (4) None of that deficit may, by virtue of section 463G (carry forward of unrelieved deficit), be set off against affected profits of –
 - (a) the accounting period beginning immediately after the change in ownership, or
 - (b) any subsequent accounting period.

676AI Restriction on relief for post-1 April 2017 non-trading loss on intangible fixed assets

- (1) This section has effect for the purpose of restricting relief under section 753 of CTA 2009 (treatment of non-trading losses) in respect of a relevant non-trading loss on intangible fixed assets.
- (2) An amount is a “relevant non-trading loss on intangible fixed assets” if and so far as it –
 - (a) it is by virtue of section 751 of CTA 2009 a non-trading loss on intangible fixed assets for a relevant pre-acquisition accounting period, or
 - (b) it is made up of an amount falling within paragraph (a) which has been carried forward under section 753(3) of CTA 2009.
- (3) “Relevant pre-acquisition accounting period” means an accounting period beginning –
 - (a) before the change in ownership, and
 - (b) on or after 1 April 2017.

- (4) In the case of a relevant non-trading loss on intangible fixed assets, relief under section 753 of CTA 2009 against the total profits of the actual accounting period is available only in relation to each of the notional accounting periods considered separately.
- (5) A relevant non-trading loss on intangible fixed assets may not be deducted as a result of section 753(3) (losses carried forward) from affected profits of an accounting period ending after the change in ownership.

676AJ Restriction on deduction of post-1 April 2017 expenses of management

- (1) This section has effect for the purpose of restricting deductions for post-1 April 2017 relevant expenses of management of the transferred company.
- (2) Any amounts which –
 - (a) are, or are treated as, expenses of management referable to the actual accounting period, and
 - (b) are apportioned to either of the two notional accounting periods in accordance with section 685,
 are treated for the purposes of Chapter 2 of Part 16 of CTA 2009 (companies with investment business) as expenses of management referable to that notional accounting period.
- (3) Any allowances which are apportioned to either of the notional accounting periods in accordance with section 685 are treated for the purposes of section 253 of CAA 2001 and section 1233 of CTA 2009 (companies with investment business: excess capital allowances) as falling to be made in that notional accounting period.
- (4) In calculating the taxable total profits of an accounting period of the transferred company ending after the change in ownership –
 - (a) relevant expenses of management, and
 - (b) relevant allowances,
 may not be deducted from affected profits of the accounting period.
- (5) In this section “relevant expenses of management” means expenses of management which are first deductible under section 1219 of CTA 2009 for an accounting period beginning –
 - (a) on or after 1 April 2017, and
 - (b) before the change in ownership.
- (6) In this section “relevant allowances” means allowances falling to be made for an accounting period beginning –
 - (a) on or after 1 April 2017, and
 - (b) before the change in ownership.

676AK Restriction on use of post-1 April 2017 UK property business losses

- (1) This section has effect for the purpose of restricting relief under sections 62 and 63 for a relevant UK property business loss made by the transferred company.

- (2) In this section “relevant UK property business loss” means a loss made in a UK property business in an accounting period beginning –
 - (a) on or after 1 April 2017, and
 - (b) before the change in ownership.
- (3) In relation to a relevant UK property business loss, relief under section 62(3) is available only in relation to each of the notional accounting periods considered separately.
- (4) A relevant UK property business loss may not be deducted as a result of section 62(5) or 63(3) from affected profits of an accounting period ending after the change in ownership.

676AL “Co-transferred company” and “related company”

- (1) In this Chapter “co-transferred company” means any company which is related to the transferred company both immediately before and immediately after the change in ownership.
- (2) For the purposes of this Chapter any two companies (“T”) and (“C”) are “related” to one another at any time when –
 - (a) the group condition is met in relation to T and C, or
 - (b) any of consortium conditions 1 to 4 is met in relation T and C, (whether on the assumption that T is the claimant company and C is the surrendering company or vice versa).
- (3) In this Chapter –
 - “consortium condition 1” is to be interpreted in accordance with section 188CF,
 - “consortium condition 2” is to be interpreted in accordance with section 188CG,
 - “consortium condition 3” is to be interpreted in accordance with section 188CH,
 - “consortium condition 4” is to be interpreted in accordance with section 188CI,
 - “the group condition” is to be interpreted in accordance with section 188CE.”

53 After Chapter 2A insert –

“CHAPTER 2B

ASSET TRANSFERRED WITHIN GROUP: RESTRICTION OF RELIEF FOR POST-1 APRIL
TRADE LOSSES

676BA Introduction to Chapter

- (1) This section applies if there is a change in the ownership of a company (“the company”) on or after 1 April 2017 and –
 - (a) conditions 1 and 2 are met, or
 - (b) condition 3 is met.
- (2) Condition 1 is that after the change in ownership the company acquires an asset from another company in circumstances such that –

-
- (a) section 171 of TCGA 1992 (no gain/no loss transfer within group), or
 - (b) section 775 of CTA 2009 (tax-neutral transfer within group), applies to the acquisition.
- (3) Condition 2 is that –
- (a) in a case within subsection (2)(a), a chargeable gain accrues to the company on a disposal of the asset within the period of 5 years beginning with the change in ownership, or
 - (b) in a case within subsection (2)(b), there is a non-trading chargeable realisation gain on the realisation of the asset within that period.
- (4) Condition 3 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (notional transfers within a group).
(Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)
- (5) For the purposes of subsection (3), an asset (P) acquired by the company as mentioned in subsection (2) is treated as the same as an asset (Q) owned at a later time by the company if the value of Q is derived in whole or in part from P.
- (6) In particular, P is treated as the same as Q for those purposes if –
- (a) Q is a freehold,
 - (b) P was a leasehold, and
 - (c) the lessee has acquired the reversion.
- (7) In this Chapter –
- “the change in ownership” means the change in ownership mentioned in subsection (1),
 - “the company” has the same meaning as in this section,
 - “non-trading chargeable realisation gain” means a chargeable realisation gain (within the meaning of Part 8 of CTA 2009 (intangible fixed assets)) which is a non-trading credit for the purposes of that Part (see section 746 of that Act),
 - “realisation” has the meaning given by section 734 of CTA 2009, and
 - “the relevant gain” means the gain within subsection (3)(a) or (b) or (4).

676BB Notional split of accounting period in which change in ownership occurs

- (1) This section applies for the purposes of this Chapter.
- (2) The accounting period in which the change in ownership occurs (“the actual accounting period”) is treated as two separate accounting periods (“notional accounting periods”), the first ending with the change and the second consisting of the remainder of the period.

- (3) Section 702 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 4.
- (4) The amounts for the actual accounting period in column 1 of the table in section 702(2) are apportioned to the two notional accounting periods in accordance with section 702.
- (5) In this Chapter, and in sections 702 and 703 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

676BC Disallowance of relief for trade losses

- (1) This section has effect for the purposes of restricting relief under sections 45A and 45F for a loss made by the company in a trade before the change in ownership.
- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period in which the relevant gain accrues or arises.
- (3) Relief under section 45A is available only in relation to each of the notional accounting periods considered separately.
- (4) A loss made in an accounting period beginning before the change in ownership –
 - (a) may not be deducted as a result of section 45A from so much of the total profits of an accounting period ending after the change in ownership as represents the relevant gain;
 - (b) may not be deducted by virtue of paragraph (a) of the definition of “relevant profits” in section 45F(7) from so much of the total profits of an accounting period ending after the change in ownership as represents the relevant gain.

676BD Meaning of “the relevant provisions”

In this Chapter “the relevant provisions” means –

- (a) section 8(1) of, and Schedule 7A to, TCGA 1992 (amounts included in respect of chargeable gains in total profits), or
- (b) Chapter 6 of Part 8 of CTA 2009 (intangible fixed assets: how credits and debits are given effect).

676BE Meaning of “amount of profits which represents a relevant gain”

- (1) In this Chapter, the amount of any profits which represents a relevant gain is found by comparing –
 - (a) the amount (“Y”) of the relevant gain, with
 - (b) the amount (“Z”) which is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains for the accounting period concerned.
- (2) If Y does not exceed Z, the amount of the profits which represents the relevant gain equals Y.
- (3) If Y exceeds Z, the amount of those profits equals Z.”

54 After Chapter 2B insert –

“CHAPTER 2C**DISALLOWANCE OF GROUP RELIEF FOR CARRIED-FORWARD LOSSES: GENERAL PROVISION****676CA Introduction to Chapter**

- (1) This Chapter applies if on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).
- (2) In this Chapter –
 - “the change in ownership” means the change in ownership mentioned in subsection (1);
 - “the transferred company” has the meaning given by subsection (1).

676CB Restriction on surrender of carried-forward losses

- (1) Subsection (3) applies if a company (“the claimant company”) would, (apart from this section), be eligible under Part 5A to make a relevant claim for group relief for carried-forward losses.
- (2) For the purposes of this section a claim for group relief for carried-forward losses is a “relevant claim” if it is –
 - (a) for an accounting period ending after the change in ownership, and
 - (b) in respect of an amount surrendered by the transferred company or a co-transferred company which is a relevant pre-acquisition loss.
- (3) The general rule is that the relief is not available.
- (4) The general rule is subject to the exceptions in sections 676CD and 676CE.
- (5) For the purposes of this section –
 - (a) the accounting period in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change and the second consisting of the remainder of the period, and
 - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (6) Any apportionment under subsection (5)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (7) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

676CC Cases where consortium condition 1 or 2 was previously met

- (1) Subsection (4) applies in relation to a claim for group relief for carried-forward losses by the transferred company if conditions A and B are met.

- (2) Condition A is that the claim is –
 - (a) for an accounting period ending after the change in ownership, and
 - (b) in respect of a relevant pre-acquisition loss.
- (3) Condition B is that consortium condition 1 was met in relation to –
 - (a) the transferred company (as the company owned by a consortium as mentioned in section 188CF(1)(b)), and
 - (b) the surrendering company (as the company mentioned in section 188CF(1)(c)),immediately before the change in ownership (“time T”).
- (4) The relief given under section 188CK in respect of the transferred company’s total profits of the claim period may not exceed the relief that would be available on the assumption that the claim is based on consortium condition 1 and the ownership proportion for the purposes of that condition is equal to the lowest of the following proportions –
 - (a) the proportion of the ordinary share capital of the transferred company that was beneficially owned by the surrendering company at time T,
 - (b) the proportion of any profits available for distribution to equity holders of the transferred company to which the surrendering company was beneficially entitled at that time,
 - (c) the proportion of any assets of the transferred company available for distribution to such equity holders on a winding up to which the surrendering company would be beneficially entitled (as determined at that time), and
 - (d) the proportion of the voting power in the transferred company that was directly possessed by the surrendering company at that time.
- (5) Subsection (8) applies in relation to a claim for group relief for carried-forward losses by the transferred company if conditions A and B are met.
- (6) Condition A is that the claim is –
 - (a) for an accounting period ending after the change in ownership, and
 - (b) in respect of a a relevant pre-acquisition loss.
- (7) Condition B is that consortium condition 2 was met in relation to –
 - (a) the transferred company (as the company owned by a consortium as mentioned in section 188CG(1)(b)), and
 - (b) the surrendering company (as the company mentioned in section 188CG(1)(c)),immediately before the change in ownership (“time T”).
- (8) The relief given under section 188CK in respect of the transferred company’s total profits of the claim period may not exceed the relief that would be available on the assumption that the claim is based on consortium condition 2 and the ownership proportion for the purposes of that condition is equal to the lowest of the following proportions –

- (a) the proportion of the ordinary share capital of the transferred company that was beneficially owned by the link company at time T,
 - (b) the proportion of any profits available for distribution to equity holders of the transferred company to which the link company was beneficially entitled at that time,
 - (c) the proportion of any assets of the transferred company available for distribution to such equity holders on a winding up to which the link company would be beneficially entitled (as determined at that time), and
 - (d) the proportion of the voting power in the transferred company that was directly possessed by the link company at that time.
- (9) In this section –
- “the link company” means the company which is the link company (see section 188CG(1)(d)) for the purposes of the meeting of consortium condition 2 as mentioned in subsection (7),
 - “the claim period” and “the surrendering company” has the same meaning as in Part 5A (see section 188FD(1)).

676CD Cases where consortium condition 3 or 4 was previously met

- (1) If the requirement in subsection (3) is met, section 676CB(3) does not prevent a company from making under section 188CC a claim for group relief for carried-forward losses falling within subsection (2).
- (2) A claim falls within this subsection if it is –
 - (a) for an accounting period (“the claim period”) ending after the change in ownership, and
 - (b) in relation to an amount surrendered by the transferred company which is a relevant pre-acquisition loss and is attributable to an accounting period of that company specified in the claim (“the specified loss-making period”).
- (3) The requirement is that consortium condition 3 or consortium condition 4 is met throughout a period which –
 - (a) begins before or during the specified loss-making period, and
 - (b) ends with or after the time when the change in ownership occurs.
- (4) For the purposes of a claim by virtue of this section, section 188CC(3) has effect as if requirement 3 were omitted.

676CE Exceptions to restrictions

- (1) Nothing in section 676CB(3) or 676CC affects the giving of group relief for carried-forward losses by the making of a deduction under section 188CK(1) from total profits of the claimant company which arise after the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs.
- (2) Nothing in section 676CB(3) or 676CC affects the availability of relief under Part 5A if immediately before the change in ownership the group condition was met in relation to the transferred company and the claimant company.

But see also section 676CF.

- (3) If an accounting period of the claimant company begins before, and ends after, the anniversary mentioned in subsection (1), then for the purposes of that subsection—
 - (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
 - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (4) Any apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.
- (6) In this section “the claimant company” has the same meaning as in Part 5A (see section 188FD(1)).

676CF Cases where Chapter 2, 2A or 3 also applies

- (1) This section applies if—
 - (a) Chapter 2 applies in relation to the change in ownership by virtue of condition B in section 673 being met,
 - (b) Chapter 2A applies in relation to the change in ownership, or
 - (c) Chapter 3 applies in relation to the change in ownership by virtue of Condition B in section 677 being met.
- (2) This section also applies if—
 - (a) the condition in subsection (1)(a) would be met if in subsection (4A) of section 719 (meaning of “change in the ownership of a company”) the reference to Chapter 2C included a reference to Chapter 2, or
 - (b) the condition in subsection (1)(c) would be met if in subsection (4A) of section 719 the reference to Chapter 2C included a reference to Chapter 3.
- (3) Where the company in relation to which the major change mentioned in section 673(4), 676AA(3) or 677(3) has occurred would (apart from this section) be eligible under Part 5A to claim in respect of a relevant pre-acquisition loss group relief for carried-forward losses for an accounting period ending after the change in ownership, no deduction in respect of that loss may be made from affected profits under section 188CK.
- (4) For the purposes of this section—
 - (a) the accounting period in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change and the second consisting of the remainder of the period, and
 - (b) the profits or losses of the accounting period are apportioned to the two periods.

- (5) Any apportionment under subsection (4)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (6) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

676CG “Affected profits”

- (1) This section has effect for the purposes of section 676CE.
- (2) Profits of an accounting period ending after the change in ownership are “affected profits” if and so far as –
 - (a) they arise before the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs, and
 - (b) they can fairly and reasonably be attributed to activities, or other sources of income, as a result of which, or partly as a result of which, the major change mentioned in section 673(4), 676AA(3) or 677(3) (as the case may be) has occurred.
- (3) If an accounting period of the company in relation to which the major change mentioned in section 673(4), 676AA(3) or 677(3) has occurred begins before, and ends after, the anniversary mentioned in subsection (2), then for the purposes of that subsection –
 - (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
 - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (4) Any apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

676CH “Relevant pre-acquisition loss”

- (1) In this Chapter “relevant pre-acquisition loss” means –
 - (a) a non-trading deficit from loan relationships for an accounting period beginning before the change in ownership carried forward to the surrender period under section 463G(2),
 - (b) a loss on intangible fixed assets so far as it is made up of amounts carried forward to the surrender period under section 753(3) of CTA 2009 from one or more accounting periods beginning before the change in ownership,
 - (c) expenses carried forward to the surrender period under section 1223 of CTA 2009 (carry forward of expenses of management of investment business) which were first deductible in an accounting period beginning before the change in ownership,

- (d) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 45A(3) (post- 1April trade loss),
 - (e) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 62(5)(b) or 63(3)(a) (loss made in UK property business),
 - (f) a BLAGAB trade loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 124A(2) or 124C(3) of FA 2012.
- (2) In this section “the surrender period” is to be interpreted in accordance with section 188BB(8).

676CI Interpretation of Chapter

- (1) In this Chapter “co-transferred company” means any company which is related to the transferred company both immediately before and immediately after the change in ownership.
- (2) For the purposes of this Chapter any two companies (“T”) and (“C”) are “related” to one another at any time when –
- (a) the group condition is met in relation to T and C, or
 - (b) any of consortium conditions 1 to 4 is met in relation to T and C,
- (whether on the assumption that T is the claimant company and C is the surrendering company or vice versa).
- (3) In this Chapter –
- “consortium condition 1” is to be interpreted in accordance with section 188CF,
 - “consortium condition 2” is to be interpreted in accordance with section 188CG,
 - “consortium condition 3” is to be interpreted in accordance with section 188CH,
 - “consortium condition 4” is to be interpreted in accordance with section 188CI,
 - “the group condition” is to be interpreted in accordance with section 188CE.”

55 After Chapter 2C insert –

“CHAPTER 2D

ASSET TRANSFERRED WITHIN GROUP: RESTRICTION OF GROUP RELIEF FOR CARRIED-FORWARD LOSSES

676DA Introduction to Chapter

- (1) This section applies if –
- (a) there is a change in the ownership of a company (“the company”) on or after 1 April 2017, and
 - (b) the following are met –
conditions 1 and 2, or

condition 3.

- (2) Condition 1 is that after the change in ownership the company acquires an asset from another company in circumstances such that—
- (a) section 171 of TCGA 1992 (no gain/no loss transfer within a group), or
 - (b) section 775 of CTA 2009 (tax-neutral transfer within a group), applies to the acquisition.
- (3) Condition 2 is that—
- (a) in a case within subsection (2)(a), a chargeable gain accrues to the company on a disposal of the asset within the period of 5 years beginning with the change in ownership, or
 - (b) in a case within subsection (2)(b), there is a non-trading chargeable realisation gain on the realisation of the asset within that period.
- (4) Condition 3 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (notional transfers within a group).
(Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)
- (5) For the purposes of subsection (3), an asset (P) acquired by the company as mentioned in subsection (2) is treated as the same as an asset (Q) owned at a later time by the company if the value of Q is derived in whole or in part from P.
- (6) In particular, P is treated as the same as Q for those purposes if—
- (a) Q is a freehold,
 - (b) P was a leasehold, and
 - (c) the lessee has acquired the reversion.
- (7) In this Chapter
- “the change in ownership” means the change in ownership mentioned in subsection (1),
 - “the company” has the same meaning as in this section,
 - “non-trading chargeable realisation gain” means a chargeable realisation gain (within the meaning of Part 8 of CTA 2009 (intangible fixed assets)) which is a non-trading credit for the purposes of that Part (see section 746 of that Act),
 - “realisation” has the meaning given by section 734 of CTA 2009, and
 - “the relevant gain” means the gain within subsection (3)(a) or (b) or (4).

676DB Notional split of accounting period in which change in ownership occurs

- (1) This section applies for the purposes of this Chapter.

- (2) The accounting period in which the change in ownership occurs (“the actual accounting period”) is treated as two separate accounting periods (“notional accounting periods”), the first ending with the change and the second consisting of the remainder of the period.
- (3) Section 702 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 4.
- (4) The amounts for the actual accounting period in column 1 of the table in section 702(2) are apportioned to the two notional accounting periods in accordance with section 702.
- (5) In this Chapter, and in sections 702 and 703 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

676DC Disallowance of group relief for carried-forward losses

- (1) This section has effect for the purposes of restricting relief under Chapter 3 of Part 5A (group relief for carried-forward losses).
- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period in which the relevant gain accrues or arises.
- (3) In calculating the company’s taxable total profits of the accounting period in which the relevant gain accrues or arises, a relevant pre-acquisition loss may not be deducted, as a result of section 188CK (group relief for carried-forward losses: deductions from total profits) from so much of the total profits of the accounting period as represents the relevant gain.
- (4) “Relevant pre-acquisition loss” means –
 - (a) a non-trading deficit from loan relationships for an accounting period beginning before the change in ownership carried forward to the surrender period under section 463G(2),
 - (b) a loss on intangible fixed assets so far as it is made up of amounts carried forward to the surrender period under section 753(3) of CTA 2009 from one or more accounting periods beginning before the change in ownership,
 - (c) expenses carried forward to the surrender period under section 1223 of CTA 2009 (carrying forward expenses of management and other amounts) which were first deductible in an accounting period beginning before the change in ownership,
 - (d) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 45A(3) (post- 1April trade loss);
 - (e) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 62(5)(b) or 63(3)(a) (loss made in UK property business),

(f) a BLAGAB trade loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 124A(2) or 124C(3) of FA 2012.

(5) In this section “the surrender period” is to be interpreted in accordance with section 188BB(8).

676DD Meaning of “the relevant provisions”

In this Chapter “the relevant provisions” means –

- (a) section 8(1) of, and Schedule 7A to, TCGA 1992 (amounts included in respect of chargeable gains in total profits), or
- (b) Chapter 6 of Part 8 of CTA 2009 (intangible fixed assets: how credits and debits are given effect).

676DE Meaning of “amount of profits which represents a relevant gain”

(1) In this Chapter, the amount of any profits which represents a relevant gain is found by comparing –

- (a) the amount (“Y”) of the relevant gain, with
- (b) the amount (“Z”) which is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains for the accounting period concerned.

(2) If Y does not exceed Z, the amount of the profits which represents the relevant gain equals Y.

(3) If Y exceeds Z, the amount of those profits equals Z.”

56 (1) Section 677 (introduction to Chapter 3) is amended as follows.

(2) In subsection (3), for “6” substitute “8”.

(3) In subsection (5), for “6” substitute “8”.

(4) The amendments made by this paragraph do not have effect unless both the change in ownership referred in section 677(1) and the major change in the nature or conduct of a business referred to in section 677(3) occur on or after 1 April 2017.

57 (1) Section 681 (restriction on relief for non-trading loss on intangible fixed assets) is amended as follows.

(2) In subsection (3)(b), for “debit of” substitute “loss on intangible fixed assets for”.

58 (1) In section 690 (meaning of “significant increase in the amount of a company’s capital: amount B), in subsection (3) for “3” substitute “5”.

(2) The amendment made by this paragraph does not have effect unless the change in ownership referred in section 677(1) occurs on or after 1 April 2017.

59 (1) Section 692 (introduction to Chapter 4) is amended as follows.

(2) In subsection (1), for paragraph (b) substitute –

- “(b) the following are met –
condition 1, and
conditions 2 and 3 or condition 4.

- (3) In subsection (4)(a), for “3” substitute “5”.
 - (4) After subsection (4) insert –
 - “(4A) Condition 4 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (election to reallocate gain or loss to another member of the group). (Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)”
 - (5) In subsection (7), in the definition of “the relevant gain”, for “within subsection (4)(a) or (b)” substitute “(or amount of a gain) within subsection (4)(a) or (b) or (4A)”.
 - (6) The amendments made by this paragraph do not have effect unless the change in ownership referred to in section 692(1) occurs on or after 1 April 2017.
- 60 (1) Section 685 (apportionment of amounts) is amended as follows.
- (2) In subsection (2), in column 1 of row 4 in the table, for the words from “of CTA 2009” to the end substitute “or 463G(4) of CTA 2009.”
 - (3) In subsection (2), in column 1 of row 6 of the table, for “debit of” substitute “loss on intangible fixed assets for”.
- 61 In section 696 (restriction of debits to be brought into account), in subsection (4)(b), after “461” insert “or 463B(1)(a)”.
- 62 (1) Section 702 (apportionment of amounts) is amended as follows.
- (2) In subsection (2), in column 1 of row 5 of the table, for the words from “of CTA 2009” to the end substitute “or 463G(4) of CTA 2009.”
 - (3) In subsection (2), in column 1 of row 7 of the table, for “debit of” substitute “loss on intangible fixed assets for”.
- 63 (1) Section 704 (company carrying on UK property business) is amended as follows.
- (2) In subsection (2), for “3” substitute “5”.
 - (3) In subsection (10), in the words after paragraph (b), for “3” substitute “5”.
 - (4) The amendments made this paragraph do not have effect unless both the change in ownership referred in section 704(1) and the major change in the nature or conduct of a trade or business referred to in section 704(2) occur on or after 1 April 2017.
- 64 (1) Section 705 (company carrying on overseas property business) is amended as follows.
- (2) In subsection (2), for “3” substitute “5”.
 - (3) In subsection (9), in the words after paragraph (b), for “3” substitute “5”.
 - (4) The amendments made by this paragraph do not have effect unless both the change in ownership referred in section 705(1) and the major change in the

nature or conduct of a trade or business referred to in section 705(2) occur on or after 1 April 2017.

- 65 In section 719 (meaning of “change of ownership of a company”), after subsection (4) insert –
- “(4A) For the purposes of Chapters 2A to 2D there is also a change in the ownership of a company (“C”) if, as a result of the acquisition by a person of a holding of the ordinary share capital of the company, the group condition (as defined in section 188CE) is met in relation to C and another company (“A”) (which was not a member of the same group of companies as C before the acquisition).
In this subsection the reference to membership of a group of companies is to be interpreted in accordance with section 188FB.”
- 66 In section 721 (when things other than ordinary share capital may be taken into account), in subsection (4), in the words before paragraph (a), after “2,” insert “2A, 2B, 2C, 2D,”.

Deduction buying

- 67 (1) Section 730C of CTA 2010 is amended as follows.
- (2) In subsection (2) –
- (a) omit “or” at the end of paragraph (a),
 - (b) after paragraph (b) insert “, or
 - (c) Chapter 3 of Part 5A (group relief for carried-forward losses).”
- (3) In subsection (3), for “A deductible amount that meets conditions A and B” substitute “In the case of a relevant claim within subsection (2)(a) or (b), a deductible amount that meets conditions A and B (a “restricted deductible amount”)”.
- (4) After subsection (3) insert –
- “(3A) A relevant claim within subsection (2)(c) may not be made in respect of a loss or other amount which has been carried forward under any provision mentioned in paragraphs (a) to (e) of section 188BB(1), so far as that amount is made up of an amount which was (in a previous accounting period) a restricted deductible amount.”
- (5) In subsection (4) –
- (a) for “subsection (3) does” substitute “subsections (3) and (3A) do”, and
 - (b) for “the claim” substitute “or as a result of, the claim concerned”.
- (6) After subsection (7) insert –
- “(7A) For the purposes of determining how much of an amount carried forward as mentioned in subsection (3A) is made up of an amount which was (in a previous accounting period) a restricted deductible amount, assume that in previous accounting periods amounts have been brought into account as deductions (see section 730B(2)) in the order that results in the greatest amount being excluded by subsection (3A).”

- (7) The amendments made by this paragraph do not have effect if the relevant day (as defined in section 730B(1) of CTA 2010) is before 1 April 2017.

PART 7

MINOR AND CONSEQUENTIAL AMENDMENTS

ICTA 1988

- 68 (1) Section 826 (interest on tax overpaid) is amended as follows.
- (2) After subsection (7A) insert –
- “(7AA) In any case where –
- (a) a company ceases to carry on a trade in an accounting period (“the terminal period”),
 - (b) as a result of a claim under section 45F of CTA 2010, the whole or any part of a loss made in the trade is relieved for the purposes of corporation tax against profits (of whatever description) of an earlier accounting period (“the earlier period”) which does not fall wholly within the period of 12 months immediately preceding the terminal period, and
 - (c) a repayment falls to be made of corporation tax paid for the earlier period or of income tax in respect of a payment received by the company in that accounting period,
- then, in determining the amount of interest (if any) payable under this section on the repayment referred to in paragraph (c) above, no account shall be taken of so much of the amount of that repayment as falls to be made as a result of the claim under section 45F, except so far as concerns interest for any time after the date on which any corporation tax for the terminal period became (or, as the case may be, would have become) due and payable, as mentioned in subsection (7D) below.”
- (3) In subsection (7D) (meaning of references to the date on which corporation tax became payable) after “(7A),” insert “(7AA),”.
- (4) In subsection (7E) (power conferred by section 59E of TMA 1970 not to include power to change the meaning of references to the date on which corporation tax became payable) after “(7A),” insert “(7AA)”.

FA 1998

- 69 Schedule 18 to FA 1998 (company tax returns, assessments and related matters) is amended in accordance with paragraphs 70 to 84.
- 70 In paragraph 61(1)(c) (consequential claims etc arising out of certain Revenue amendments or assessments), in the words in brackets, after “relief” insert “or group relief for carried-forward losses”.
- 71 In the heading of Part 8 (claims for group relief) at the end insert “and group relief for carried-forward losses”.
- 72 For paragraph 66 (introduction to Part 8) substitute –
- “66 (1) This Part of this Schedule applies to –

-
- (a) claims for group relief under Part 5 of the Corporation Tax Act 2010, and
 - (b) claims for group relief for carried-forward losses under Part 5A of that Act.
- (2) In this Part of this Schedule (except where otherwise indicated) –
- (a) references to “relief” are to either of those forms of relief, and
 - (b) references to “a claim” are to a claim for either of those forms of relief.”
- 73 In paragraph 67 (claim to be included in company tax return) omit “for group relief”.
- 74 (1) Paragraph 68 (content of claims) is amended as follows.
- (2) In sub-paragraph (1), in the words before paragraph (a), omit “for group relief”.
- (3) After sub-paragraph (4) insert –
- “(5) A claim for group relief for carried-forward losses made under section 188CB of the Corporation Tax Act 2010 must also state whether or not there is a company mentioned in sub-paragraph (6) that was not resident in the United Kingdom in either or both of the following periods –
- (a) the accounting period of the surrendering company to which the claim relates,
 - (b) the corresponding accounting period of the claimant company.
- (6) Those companies are the claimant company, the surrendering company and any other company by reference to which –
- (a) the claimant company and the surrendering company are members of the same group,
 - (b) consortium condition 1 in section 188CF or consortium condition 2 in section 188CG of the Corporation Tax Act 2010 is satisfied in the case of the claimant company and the surrendering company.
- (7) A claim for group relief for carried forward-losses made under section 188CC of the Corporation Tax Act 2010 must also state whether or not there is a company mentioned in sub-paragraph (8) that was not resident in the United Kingdom in any or all of the following periods –
- (a) the specified loss-making period of the surrendering company,
 - (b) the accounting period of the surrendering company to which the surrender relates,
 - (c) the accounting period of the claimant company that corresponds with the period mentioned in paragraph (b).
- (8) Those companies are the claimant company, the surrendering company and any other company by reference to which consortium condition 3 in section 188CH or consortium condition

4 in section 188CI is satisfied in the case of the claimant company and the surrendering company.”

75 (1) Paragraph 69 (claims for more or less than the amount available for surrender) is amended as follows.

(2) In subsection (1) omit “for group relief”.

(3) In subsection (3), in the first step, after “Part 5” insert “or (as the case may be) Part 5A”.

76 (1) Paragraph 70 (consent to surrender) is amended as follows.

(2) For sub-paragraph (1) substitute –

“(1) In accordance with Requirement 1 in section 130(2), 135(2), 188CB(3) or (as the case may be) 188CC(3) of the Corporation Tax Act 2010, a claim requires the consent of the surrendering company.”

(3) In sub-paragraph (4) omit “for group relief”.

(4) In sub-paragraph (6) –

(a) after “means” insert “ –

(a) ”,

(b) at the end insert – “,

(b) a claim for group relief for carried-forward losses under section 188CB of that Act based on consortium condition 1 or 2 (see Requirement 3 in that section), and

(c) a claim for group relief for carried-forward losses under section 188CC of that Act based on consortium condition 3 or 4 (see Requirement 3 in that section).

77 In Paragraph 71 (notice of consent) after sub-paragraph (1) insert –

“(1A) Notice of consent given in respect of a claim for carried-forward losses made under section 188CC of the Corporation Tax Act 2010 must also state which accounting period of the surrendering company is the specified loss-making period.

Otherwise the notice is ineffective.

78 After paragraph 71 insert –

“Notice of consent: additional requirements where claim is for group relief for carried-forward losses

71A (1) Where notice of consent by the surrendering company is given in respect of a claim for carried-forward losses, the notice must comply with the additional requirements in this paragraph.

Otherwise the notice is ineffective.

(2) The notice must identify the particular losses and other amounts carried forward to the surrender period that are to be treated as surrendered in satisfaction of the claim.

(3) The notice must identify a loss or other amount by specifying –

-
- (a) the provision of the Corporation Tax Act 2009 or the Corporation Tax Act 2010 under which it was carried forward to the surrender period, and
- (b) in a case where the surrendering company is owned by a consortium, the accounting period of the surrendering company to which the loss or other amount is attributable.
- (4) Section 153 of the Corporation Tax Act 2010 (companies owned by consortiums) applies for the purposes of this paragraph.”
- 79 (1) Paragraph 72 (notice of consent requiring amendment of return) is amended as follows.
- (2) For sub-paragraph (1) substitute –
- “(1) Where notice of consent by the surrendering company relates to a loss or other amount in respect of which corporation tax relief has been given to the company for any accounting period, the company must at the same time amend its company tax return for that accounting period so as to reflect the notice of consent.”
- (3) Omit sub-paragraph (2).
- (4) In sub-paragraph (3) omit “or (2)”.
- (5) In sub-paragraph (4) omit “or (2)”.
- 80 (1) Paragraph 73 (withdrawal or amendment of claim) is amended as follows.
- (2) In sub-paragraph (1) omit “for group relief”.
- (3) In sub-paragraph (2) omit “for group relief”.
- 81 (1) Paragraph 74 (time limit for claims) is amended as follows.
- (2) In sub-paragraph (1), in the words before paragraph (a), omit “for group relief”.
- (3) In sub-paragraph (2) omit “for group relief”.
- (4) In sub-paragraph (3) omit “for group relief”.
- (5) In sub-paragraph (4) omit “for group relief” in both places those words occur.
- 82 (1) Paragraph 75A (assessment on other claimant companies) is amended as follows.
- (2) In sub-paragraph (2) omit “group”.
- (3) In sub-paragraph (6) omit “for group relief”.
- 83 (1) Paragraph 76 (assessment to recover excessive relief) is amended as follows.
- (2) In the italic heading omit “group”.
- (3) In sub-paragraph (1) omit “group”.
- 84 (1) Paragraph 77 (joint amended returns) is amended as follows.
- (2) In sub-paragraph (1) –
- (a) in paragraph (a) omit “for group relief”, and

(b) in paragraph (b) omit “group” in the second and third places that word occurs.

(3) In sub-paragraph (3), in paragraph (a), omit “for group relief”.

CTA 2009

85 In section 1223 (carry forward expenses of management and other amounts), in subsection (1)(b), after sub-paragraph (i) (as inserted by paragraph 6(2)(b)) insert –

- “(ii) section 269ZD of CTA 2010 (restrictions on deductions from total profits) has effect for the accounting period, or
- (iii) ”.

CTA 2010

86 CTA 2010 is amended in accordance with paragraphs 87 to 56.

87 (1) Section 1 (overview of Act) is amended as follows.

(2) In subsection (2) (list of reliefs provided by Parts 4 to 7) after paragraph (f) insert –

“(fa) group relief for carried-forward losses (see Part 5A),”

(3) After subsection (2) insert –

“(2A) Part 7ZA contains provision restricting the amount of certain deductions which may be made in calculating the profits of a company on which corporation tax is chargeable.”

88 (1) Section 46 (use of trade-related interest and dividends if insufficient trade profits) is amended as follows.

(2) For subsection (1) substitute –

“(1) This section applies if in an accounting period a company carrying on a trade makes a loss in the trade and either –

- (a) relief for the loss could be given in a later accounting period under section 45(4)(b) or 45B(4) but for the fact that there are no profits of the trade of the later accounting period, or
- (b) the amount of relief for the loss that could be given in a later accounting period under section 45(4)(b) or 45B(4) is limited by reason of the amount of profits of the trade of the later accounting period.”

(3) In subsection (2) at the beginning insert “For the purposes of section 45 and 45B,”.

89 In section 47 (registered societies), in subsection (1), for “section 45” substitute “sections 45 and 45B”.

90 In section 53 (leasing contracts and company reconstructions), in subsection (1)(e), for “or 45” substitute “, 45, 45A or 45B”.

91 In section 54 (non-UK resident company: receipts of interest, dividends or royalties), in subsection (2), for “or 45” substitute “, 45, 45A or 45B”.

92 (1) Chapter 4 of Part 4 (property losses) is amended as follows.

- (2) In section 65 (UK furnished holiday lettings business treated as trade) for subsection (4A) substitute –
- “(4A) Chapter 2 applies as if the following were omitted –
- (a) sections 37 to 44,
 - (b) the words “beginning before 1 April 2017” in section 45(1),
 - (c) sections 45A to 45H, and
 - (d) sections 48 to 54.
- (4B) Any deduction made under section 45(4)(b) from the profits of the trade treated as carried on under this section is to be ignored for the purposes of section 269ZB (restriction on deductions from trading profits).”
- (3) In section 67A (EEA furnished holiday lettings business treated as trade) for subsection (5) substitute –
- “(5) Chapter 2 applies as if the following were omitted –
- (a) sections 37 to 44,
 - (b) the words “beginning before 1 April 2017” in section 45(1),
 - (c) sections 45A to 45H, and
 - (d) sections 48 to 54.
- (5A) Any deduction made under section 45(4)(b) from the profits of the trade treated as carried on under this section is to be ignored for the purposes of section 269ZB (restriction on deductions from trading profits).”
- 93 In section 104 (meaning of “non-trading loss on intangible fixed assets” for purposes of section 99(1)(g)), for subsection (2) substitute –
- “(2) But it does not include a loss treated as a non-trading loss on intangible fixed assets for the surrender period as a result of section 753(3) of CTA 2009.”
- 94 In section 137 (giving of group relief: deduction from total profits) in subsection (5) (list of deductions to be made after group relief is given) –
- (a) omit “and” at the end of paragraph (b),
 - (b) in paragraph (c) for “or 459” substitute “, 459 or 463B”, and
 - (c) after paragraph (c) insert “, and
 - (d) under section 188CK (giving of group relief for carried-forward losses: deductions from total profits)”.
- 95 In section 189(2) (relief for qualifying charitable donations) at the end insert “and group relief for carried-forward losses”.
- 96 (1) Chapter 5 of Part 9 (sales of lessors: anti-avoidance provisions) is amended as follows.
- (2) In section 432 (introduction to section 433) –
- (a) in subsection (1), in the words before paragraph (a), for “Section 433 applies” substitute “Sections 433 and 433A apply”, and
 - (b) in subsection (2) after “that section” insert “and section 433A”.
- (3) In section 433 (restrictions on relief for expenses treated as incurred under Chapter 3 or 4) –

- (a) in subsection (3) –
 - (i) in paragraph (a) after “forward of” insert “pre-1 April 2017”,
 - (ii) after paragraph (a) insert –
 - “(ab) section 45B (carry forward of post-1 April 2017 trade loss against subsequent trade profits),
 - (b) in subsection (5) after “profits)” insert “or section 45A (carry forward of trade loss against total profits)”, and
 - (c) in subsection (6) –
 - (i) after “by way of” insert “ –
 - (a) ”, and
 - (ii) at the end insert “, or
 - “(b) group relief for carried-forward losses in accordance with Chapter 2 of Part 5A (surrender of company’s carried forward losses)”.
- (4) After section 433 insert –
- “433A Restrictions not applying to the restricted loss amount**
- (1) Any deduction made under section 45 or 45B in respect of the restricted loss amount is to be ignored for the purposes of the restriction in section 269ZB (restriction on sum of deductions from trading profits).
 - (2) Any deduction made under section 62 or 63 in respect of the restricted loss amount is to be ignored for the purposes of the restriction in section 269ZD (restriction on sum of deductions from total profits).”
- 97 (1) Chapter 2 of Part 12 (requirements for being a UK REIT) is amended as follows.
- (2) In section 530 (condition as to distribution of profits) after subsection (4A) insert –
 - “(4B) No account is to be taken of Part 7ZA of this Act (restrictions on obtaining certain deductions in respect of carried-forward losses) in calculating profits of the company’s property rental business for the purposes of subsection (4).”
 - (3) In section 533 (financial statements: supplementary) after subsection (2) insert –
 - “(2A) No account is to be taken of Part 7ZA of this Act (restrictions on obtaining certain deductions in respect of carried-forward losses) in calculating profits for each member of the group for the purposes of a financial statement under section 532(2)(b).”

TIOPA 2010

- 98 Part 9A of TIOPA 2010 (controlled foreign companies) is amended in accordance with paragraphs 99 and 100.

99 After section 371SK insert –

“371SKA Restrictions on certain deductions: deductions allowances

- (1) This section applies for the purposes of –
 - (a) applying Part 7ZA of CTA 2010 (restrictions on obtaining certain deductions), and
 - (b) applying any provision of Part 7ZA of CTA 2010 for the purposes of Part 7A of that Act (restrictions on obtaining certain deductions: banking companies).
- (2) Assume that each of the following is nil –
 - (a) the CFC’s deductions allowance for the relevant accounting period,
 - (b) the CFC’s trading profits deductions allowance for the relevant accounting period, and
 - (c) the CFC’s non-trading profits deductions allowance for the relevant accounting period.”

- 100 In subsection (2)(a) of section 371SL (group relief etc) –
- (a) after “(group relief)” insert “or Part 5A of that Act (group relief for carried-forward losses)”, and
 - (b) after “by way of group relief” insert “or group relief for carried-forward losses”.

PART 8

MINOR AND CONSEQUENTIAL AMENDMENTS: INSURANCE COMPANIES

FA 2012

- 101 FA 2012 is amended in accordance with paragraphs 102 to 106.
- 102 In section 78 (meaning of expressions used in section 76), in subsection (5) –
- (a) omit the “or” at the end of paragraph (a);
 - (b) after paragraph (b) insert –
 - “(c) Chapter 3 of Part 5A of that Act (group relief for carried-forward losses), or
 - (d) section 124B of FA 2012 (relief of excess carried forward BLAGAB trade losses against total profits).”
- 103 In section 93 (minimum profits test), in subsection (2), in the words after paragraph (b), for “and 124” substitute “, 124, 124A and 124C”.
- 104 (1) Section 94 (adjustment of I-E profit or excess BLAGAB expenses) is amended as follows.
- (2) After subsection (1) insert –
- “(1A) This section also applies if relief for a BLAGAB trade loss is given for the accounting period under –
- (a) section 124B (excess carried forward post-1 April 2017 losses: relief against total profits), or
 - (b) Chapter 3 of Part 5A of CTA 2010 (group relief for carried forward losses).”

- (3) In subsection (2), for the words from “adding” to the end substitute “subject to the following rules –
- (a) if the condition in subsection (1) is met, add to the amount of “I” found by step 4 the total amount of the non-taxable distributions receivable by the company in the accounting period that are referable, in accordance with Chapter 7, to the company’s basic life assurance and general annuity business, and
 - (b) if the condition in subsection (1A) is met, perform the calculation as if paragraphs (c) and (d) were omitted from section 78(5) (meaning of “BLAGAB trade loss relieved for the accounting period” for the purposes of section 76).”
- 105 In section 104 (meaning of “the adjusted amount”) –
- (a) in subsection (3), after “124” insert “, 124A or 124C”;
 - (b) in subsection (4), for “that section” substitute “any of those sections”;
 - (c) in subsection (5)(a), for “or no relief is available under that section,” substitute “, 124A or 124C or no relief is available under those sections,”.
- 106 In section 127 (no relief against policyholders’ share of I-E profit), in subsection (3) –
- (a) before paragraph (a) insert –
 - “(za) relief under section 124B (relief of excess carried-forward BLAGAB trade losses against total profits),”;
 - (b) after paragraph (c) insert –
 - “(ca) relief under Chapter 3 of Part 5A of CTA 2010 (group relief for carried-forward losses),”.

PART 9

COMMENCEMENT ETC

- 107 (1) The amendments made by this Schedule have effect in relation to accounting periods beginning on or after 1 April 2017.
- (2) For the purposes of the amendments made by this Schedule, where a company has an accounting period beginning before 1 April 2017 and ending on or after that date (“the straddling period”) –
- (a) so much of the straddling period as falls before 1 April 2017, and so much of that period as falls on or after that date, are treated as separate accounting periods, and
 - (b) profits and losses of the company for the straddling period are apportioned to the two separate accounting periods –
 - (i) in accordance with section 1172 of CTA 2010 (time basis), or
 - (ii) if that method would produce a result that is unjust or unreasonable, on a just and reasonable basis.