
Corporation tax relief for carried-forward losses

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

SCHEDULE 1

Section 1

CORPORATION TAX RELIEF FOR CARRIED-FORWARD LOSSES

Restrictions on deductions from profits

- 1 CTA 2010 is amended as follows.
- 2 In section 188DD (group relief for carried-forward losses: claimant company's relevant maximum for overlapping period) –
 - (a) in subsection (3) for “269ZD(5)” (in both places) substitute “269ZFA”, and
 - (b) omit subsection (4).
- 3 In section 188ED (group relief for carried-forward losses: claimant company's relevant maximum for overlapping period) –
 - (a) in subsection (3) for “269ZD(5)” (in both places) substitute “269ZFA”,
 - (b) omit subsection (4), and
 - (c) in subsection (5) for “(4)” substitute “(3)”.
- 4 In section 269ZB (restriction on deductions from trading profits) in subsection (8) for paragraph (b) substitute –
 - “(b) any amount specified for the period under section 269ZC(5)(a) (non-trading profits deductions allowance).”
- 5 In section 269ZC (restriction on deductions from non-trading profits) in subsection (6) for paragraph (b) substitute –
 - “(b) any amount specified for the period under section 269ZB(7)(a) (trading profits deductions allowance).”
- 6 (1) Section 269ZD (restriction on deductions from total profits) is amended as follows.
 - (2) In subsection (2) –
 - (a) in paragraph (b) –
 - (i) at the end of sub-paragraph (i) insert “and”, and
 - (ii) omit sub-paragraph (iii) and the “and” immediately before it, and
 - (b) in the second sentence omit “and section 269ZE”.
 - (3) In subsection (4)(a) after “period” insert “(see section 269ZFA)”.
 - (4) Omit subsection (5).
 - (5) For subsection (7) substitute –
 - “(7) Subsection (2) does not apply in relation to a company for an accounting period where the amount given by paragraph (1) of step 1 in section 269ZF(3) is not greater than nil.”
- 7 Omit section 269ZE (restriction on deductions from total profits: insurance companies).

8 After section 269ZF insert –

“269ZFA “Relevant profits”

- (1) A company’s “relevant profits” for an accounting period are –
 - (a) the company’s qualifying profits for the accounting period, less
 - (b) the company’s deductions allowance for the accounting period (see section 269ZD(6)).
- (2) A company’s “qualifying profits” for an accounting period are –
 - (a) the amount given by paragraph (1) of step 1 in section 269ZF(3) in determining the company’s qualifying trading profits and qualifying non-trading profits for the accounting period, less
 - (b) the amount given by paragraph (1) of step 2 in section 269ZF(3) in determining those profits for the accounting period.”

9 After section 269ZFA (as inserted by paragraph 8) insert –

“Modifications for certain insurance companies

269ZFB Modifications for certain insurance companies

- (1) This section has effect for determining the taxable total profits of a company for an accounting period if the company –
 - (a) is an insurance company, and
 - (b) carries on basic life assurance and general annuity business in the period.
- (2) A reference in section 269ZD(7) and section 269ZFA(2) to the amount given by a paragraph of a step in section 269ZF(3) is to be read as a reference to the amount that would be so given if –
 - (a) section 269ZF(4)(a) did not require income referable to a company’s basic life assurance and general annuity business to be ignored unless it falls within, and is dealt with under, Part 9A of CTA 2009 by reason of an election under section 931R of that Act, and
 - (b) section 269ZF(4)(d) required only the policyholders’ share of any I-E profit (as determined in accordance with section 103 of FA 2012) to be ignored.
- (3) In this section –
 - “basic life assurance and general annuity business” has the meaning given by section 57 of FA 2012, and
 - “insurance company” has the meaning given by section 65 of that Act.”

10 In section 269ZJ (exclusion of shock losses from restrictions) omit subsection (4).

11 In section 269ZQ (power to amend) in subsection (2)(b) for “124E” substitute “124C”.

12 In section 269ZV (group allowance allocation statement: requirements and

effects) after subsection (5) insert –

“(5A) In its application in relation to a listed company that is the ultimate parent (see section 269ZZB(3)) of each other company in the group, subsection (5) has effect as if after “the group” in paragraph (b) of the definition of DAP there was inserted “and was not a member of any other group.””

- 13 In section 269CC (restrictions on deductions by banking companies: management expenses etc) in subsection (7) (how to determine “relevant maximum”) in Step 1 for “269ZD(5)” substitute “269ZFA”.
- 14 In section 269CN (restrictions on deductions by banking companies: definitions) in the definition of “relevant profits” for “269ZD(5)” substitute “269ZFA”.
- 15 In section 304(7) (certain deductions in respect of losses made in a ring fence trade to be ignored for the purposes of the restriction on deductions from trading profits) in paragraph (b) for “total” substitute “trade”.
- 16 FA 2012 is amended as follows.
- 17 In section 124 (carry forward of pre-1 April 2017 BLAGAB trade losses against subsequent profits) in subsection (5) omit “(but see also section 124D)”.
- 18 In section 124A (carry forward of post-1 April 2017 BLAGAB trade losses against subsequent profits) in subsection (5) omit “(but see also section 124D)”.
- 19 In section 124C (further carry forward against subsequent profits of post-1 April 2017 loss not fully used) in subsection (6) omit “(but see also section 124D)”.
- 20 Omit sections 124D and 124E (restriction on deductions from BLAGAB trade profits).

Terminal losses: straddling periods

- 21 For section 45G of CTA 2010 substitute –

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

- (1) This section applies if –
- (a) a company ceases to carry on a trade in an accounting period (“the terminal period”), and
 - (b) a previous accounting period of the company (“the straddling period”) falls partly within the period of 3 years ending with the end of the terminal period.
- (2) The sum of any deductions under section 45F from the profits of the trade of the straddling period is not to exceed an amount equal to the overlapping proportion of those profits (calculated before making those deductions).
- (3) The sum of –
- (a) any deductions under section 45F from the profits of the trade of the straddling period, and

(b) any deductions under that section from the total profits of the straddling period in respect of losses made in the trade, must not exceed an amount equal to the overlapping proportion of the total profits of the straddling period (calculated before making those deductions).

(4) The overlapping proportion is the same as the proportion that the part of the straddling period falling within the period of 3 years mentioned in subsection (1)(b) bears to the whole of the straddling period.”

Group relief for carried-forward losses: shock losses of insurance companies

- 22 In section 188BG(3) of CTA 2010 (types of loss that may not be surrendered by a Solvency 2 insurance company) –
- (a) omit “or” at the end of paragraph (b), and
 - (b) after paragraph (c) insert “or
 - (d) a BLAGAB trade loss carried forward to the surrender period under section 124A(2) or 124C(3) of FA 2012,”.

Transferred trades

- 23 CTA 2010 is amended as follows.
- 24 In section 357JI (Northern Ireland losses: transfers of trade without a change of ownership) in subsection (2) for the words from the beginning to “that section” substitute “Sections 943A to 944C (which modify the application of Chapter 2 of Part 4) have effect as if the references in those sections”.
- 25 In section 676 (disallowance of trading loss on change in ownership of company: company reconstructions) –
- (a) in subsection (2) for the words from “section 944(3)” to “successor company)” substitute “Chapter 1 of Part 22”,
 - (b) in subsection (4)(a) after “45” insert “, 45A, 45B, 303B, 303C or 303D”, and
 - (c) in subsection (4)(b) for “944(3)” substitute “Chapter 1 of Part 22”.
- 26 In section 676AF (restriction on use of carried-forward post-1 April 2017 trade losses) –
- (a) the existing provision becomes subsection (1), and
 - (b) after that subsection insert –
 - “(2) A loss made by another company (“the predecessor company”) in an accounting period beginning before the change in ownership may not be deducted from affected profits of an accounting period ending after the change in ownership under any of the provisions mentioned in paragraphs (a) to (c) of subsection (1) (as applied by virtue of Chapter 1 of Part 22 (transfers of trades)).”
- 27 In section 676BC (disallowance of relief for trade losses) –
- (a) in subsection (1) omit “by the company”,
 - (b) in subsection (4), in the words before paragraph (a), after “made” insert “by the company”, and

(c) after subsection (4) insert –

“(5) A loss made by another company (“the predecessor company”) in an accounting period beginning before the change in ownership may not be deducted as a result of section 45A, 45F or 303C (as applied by Chapter 1 of Part 22 (transfers of trades)) from so much of the total profits of an accounting period of the company ending after the change in ownership as represents the relevant gain.”

Commencement

- 28 The amendments made by paragraphs 1 to 11, 13 and 14 and 16 to 20 have effect in relation to accounting periods beginning on or after 6 July 2018.
- 29 The other amendments made by this Schedule have effect in relation to accounting period beginning on or after 1 April 2019.
- 30 For the purposes of the amendments made by paragraphs 1 to 11, 13 and 14 and 16 to 20, where a company has an accounting period beginning before 6 July 2018 and ending on or after that date (“the straddling period”) –
- (a) so much of the straddling period as falls before 6 July 2018, and so much of that period as falls on or after that date, are to be treated as separate accounting periods, and
 - (b) where it is necessary to apportion an amount for the straddling period to the two separate accounting period, it is to be apportioned –
 - (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.
- 31 Paragraph 30 applies for the purposes of the other amendments made by this Schedule as if the references to 6 July 2018 were to 1 April 2019.