

Clause 1: Surcharge on banking companies: transferred-in losses

Summary

1. This clause amends the surcharge on banking companies legislation to introduce a new adjustment to surcharge profits. The surcharge applies to banking companies, including building societies, within the charge to UK Corporation Tax. This adjustment denies relief against the surcharge for allowable losses transferred to a banking company from a non-banking company in the same group. The amendment has effect for allowable losses deducted from chargeable gains accruing on or after 11 March 2020.

Details of the clause

2. Subsection 1 introduces amendments to Part 7A of Corporation Tax Act (CTA) 2010.
3. Subsection 2 inserts subsection 4A into section 269D CTA 2010 ('Overview of Chapter'), which updates the overview to include the newly introduced section 269DCA.
4. Subsection 3 amends subsection 2 of section 269DA CTA 2010. The amendment inserts a new adjustment, 'non-banking transferred-in loss relief', to the formula for calculating 'surcharge profits'. It also introduces the definition of this amendment at the newly introduced section 269DCA CTA 2010.
5. Subsection 4 amends section 269DC CTA 2010 to remove references to non-banking loss transfers in subsection 13 and removing subsections 14 and 15. These provisions are effectively superseded by the new definition for 'non-banking transferred-in loss relief' inserted at section 269DCA CTA 2010. The amendment updates the reference to section 8 Taxation of Chargeable Gains Act (TCGA) 1992 to its replacement at section 2A TCGA 1992.
6. Subsection 5 inserts section 269DCA into CTA 2010. This section defines 'non-banking transferred-in loss relief' for the purposes of section 269DA CTA 2010, which is an allowable loss transferred to a banking company from a non-banking company via an election under section 171A TCGA 1992. The new section defines a 'non-banking company' as a company that is not a banking company at the time that the allowable loss arose.
7. Subsection 6 defines the commencement provisions for the changes. The changes will only apply to allowable losses deducted from chargeable gains arising on disposals made on or after 11 March 2020.

Background note

8. These minor amendments to the surcharge on banking companies legislation have been introduced to ensure that the relief against the surcharge for allowable losses transferred to banking companies from non-banking companies is denied in all cases.
9. The surcharge on banking companies rule was introduced by Finance (No. 2) Act 2015, and applies a surcharge of 8% on the taxable profits of banking companies.