

# Finance Bill

---

---

## CONTENTS

- 1 Carried-forward losses
- 2 Losses: counteraction of avoidance arrangements

- 
- Schedule 1 – Relief for carried-forward losses
- Part 1 – Amendment of general rules about carrying forward losses
  - Part 2 – Restriction on deductions in respect of carried-forward losses
  - Part 3 – Group relief for carried-forward losses
  - Part 4 – Insurance companies: carrying forward BLAGAB trade losses
  - Part 5 – Carrying forward trade losses in certain creative industries
  - Part 6 – Oil activities
  - Part 7 – Oil contractors
  - Part 8 – Transferred trades
  - Part 9 – Tax avoidance
  - Part 10 – Northern Ireland trading losses etc
  - Part 11 – Minor and consequential amendments
  - Part 12 – Commencement etc

## **1 Carried-forward losses**

- (1) Schedule 1 makes provision about corporation tax relief for losses and other amounts that are carried forward.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations made by statutory instrument make provision consequential on any provision made by Schedule 1.
- (3) Regulations under subsection (2) –
  - (a) may make provision amending or modifying any provision of the Taxes Acts (including any provision inserted by Schedule 1),
  - (b) may make incidental, supplemental, transitional, transitory or saving provision, and
  - (c) may make different provision for different purposes.
- (4) A statutory instrument containing regulations under subsection (2) is subject to annulment in pursuance of a resolution of the House of Commons.
- (5) In this section “the Taxes Acts” has the same meaning as in the Taxes Management Act 1970 (see section 118(1) of that Act).

## **2 Losses: 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 457, 459, 461, 462, 463B, 463G and 463H of CTA 2009 (non-trading deficits from loan relationships);
  - (b) section 753 of CTA 2009 (non-trading losses on intangible fixed assets);
  - (c) section 1219 of CTA 2009 (management expenses etc);
  - (d) sections 37, 45, 45A, 45B and 45F of CTA 2010 (deductions in respect of trade losses);
  - (e) section 62(3) of CTA 2010 (losses of a UK property business);
  - (f) Part 5 of CTA 2010 (group relief);
  - (g) Part 5A of CTA 2010 (group relief for carried-forward losses);
  - (h) sections 303B, 303C and 303D of CTA 2010 (non-decommissioning losses of ring-fence trades);
  - (i) sections 124A, 124B and 124C of FA 2012 (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.
- (12) In the case of a tax advantage as a result of a deduction (or increased deduction) under –
- (a) section 463H of CTA 2009,
  - (b) section 62(3) of CTA 2010,
  - (c) section 303B, 303C or 303D of CTA 2010, or
  - (d) section 124A or 124C of FA 2012,
- subsections (10) and (11) have effect as if the references to 1 April 2017 were to 13 July 2017.

## 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 as follows.
- 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) or contractor's ring fence profits of the company within the meaning of Part 8ZA of that Act (oil contractors).

#### **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 against total profits**

- (1) This section applies if conditions A to D 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) Condition C is that (if the company is an Solvency 2 insurance company) it is not the case that the whole of the deficit is a shock loss.
- (5) Condition D is that (if the company is a general insurance company) the first accounting period after the deficit period is not an excluded accounting period.
- (6) The unrelieved amount is carried forward to the first accounting period after the deficit period.
- (7) 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.
- (8) If a claim is made under subsection (7) –
  - (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.

- (9) No claim may be made under subsection (7) in respect of so much of the unrelieved amount as is surrendered under Part 5A of CTA 2010 (group relief for carried-forward losses).
- (10) A claim under subsection (7) 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.
- (11) 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) or contractor’s ring fence profits of the company within the meaning of Part 8ZA of that Act (oil contractors).
- (12) If —
  - (a) the company is a Solvency 2 insurance company, and
  - (b) the deficit is partly (but not wholly) a shock loss,subsections (6) to (9) have effect as if references to the unrelieved amount were to the eligible amount (see subsection (13)).
- (13) In this section “the eligible amount” means so much of the unrelieved amount as is not a shock loss; and for the purpose of determining how much of the unrelieved amount is, or is not, a shock loss, it is to be assumed that in setting off or surrendering amounts as mentioned in subsection (2)(a)(i) and (ii) the company uses shock losses before other amounts.
- (14) In this Chapter —
  - “company with investment business” has the same meaning as in Part 16 (see section 1218B);
  - “excluded accounting period” has the meaning given by section 269ZG of CTA 2010;
  - “general insurance company” is to be interpreted in accordance with section 269ZG of CTA 2010;
  - “shock loss” has the meaning given by section 269ZK of CTA 2010;
  - “Solvency 2 insurance company” means an insurance company as defined in section 269ZP(2) of CTA 2010.
- (15) In this Chapter references to a company’s investment business are to be construed in accordance with section 1219(2).

#### **463H Carry forward of unrelieved deficit against non-trading profits**

- (1) Subsections (4) to (8) 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,
  - (b) section 463G would apply but for condition D in that section (no carry-forward to an excluded accounting period of a general insurance company), or
  - (c) the company is a Solvency 2 insurance company and any amount of the deficit would be eligible to be carried forward

under section 463G(6) were that amount not a shock loss (see section 463G(4), (12) and (13)).

- (2) Subsections (4) to (8) also apply if—
  - (a) subsections (6) to (10) of section 463G would apply 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), or
  - (b) subsections (6) to (10) of section 463G would apply but for section 463I(1)(d) (no carry-forward under those subsections to an excluded accounting period of a general insurance company).
- (3) In this section the “unrelieved amount” —
  - (a) in a case within paragraph (a) or (b) of subsection (1), is to be interpreted in accordance with section 463G(2);
  - (b) in a case within paragraph (c) of subsection (1), means the amount mentioned in that paragraph;
  - (c) in a case within subsection (2), 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).
- (4) The unrelieved amount is carried forward to the first accounting period (“period 2”) after —
  - (a) (in a case within subsection (1)) the deficit period, or
  - (b) (in a case within subsection (2)) the period mentioned in section 463I(1)(a).
- (5) So much of the unrelieved amount as is not the subject of a claim under subsection (7) must be set off against the non-trading profits of the company for period 2.
- (6) Those profits are reduced accordingly.
- (7) The company may make a claim for relief under subsection (5) not to be given in period 2 for the unrelieved amount or so much of it as is specified in the claim.
- (8) A claim under subsection (7) 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.
- (9) Subsection (10) applies if any amount is carried forward under subsection (4) to an accounting period (“the carry forward period”) and —
  - (a) cannot be set off under subsection (5) against non-trading profits of that period, or
  - (b) is the subject of a claim under subsection (7).
- (10) If the company continues to be a company with investment business throughout the carry forward period, subsections (4) to (8) have effect as if —
  - (a) references to the unrelieved amount were to the amount mentioned in subsection (9), and

- (b) references to –
  - (i) the deficit period, or
  - (ii) the period mentioned in section 463I(1)(a),were to the carry forward period.

- (11) 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(6),
  - (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(7), or
    - (ii) surrendered as group relief for carried-forward losses under Part 5A of CTA 2010,
  - (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, and
  - (d) it is not the case that the first accounting period after the later period is an excluded accounting period of a general insurance company.
- (2) Subsections (6) to (10) 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 as follows.
- 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.”
- (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 (3) are met.
- (2) But this section does not apply if the trade is a ring fence trade.
- (3) 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, 1217SA or 1218ZDA of CTA 2009,
  - (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,
  - (d) if the company is a Solvency 2 insurance company the loss is not a shock loss (see subsections (9) and (10)), and
  - (e) the later period is not an excluded accounting period of a general insurance company.
- (4) The unrelieved amount is carried forward to the later period.

- (5) 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.
- (6) 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.
- (7) 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.
- (8) Relief under this section is subject to restriction or modification in accordance with provisions of the Corporation Tax Acts.
- (9) For the purposes of this section and section 45B, a loss which is partly, but not wholly, a shock loss is to be treated as if –
  - (a) the amount that is a shock loss, and
  - (b) the amount that is not,
 were separate losses.
- (10) In this section –
  - “excluded accounting period” has the meaning given by section 269ZG;
  - “general insurance company” is to be interpreted in accordance with section 269ZG(6);
  - “ring fence trade” has the same meaning as in Part 8 (see section 277);
  - “Solvency 2 insurance company” means an insurance company as defined in section 269ZP(2);
  - “shock loss” has the meaning given by section 269ZK.

**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) case 1, 2 or 3 applies.

Case 1 is that any of the conditions in section 45A(3) are not met.

Case 2 is that 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.

Case 3 is that the trade is a ring fence trade.

- (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) If the trade is a ring fence trade, this section has effect only in relation to so much of the loss mentioned in subsection (1)(a) as is not a non-decommissioning loss.
- (8) Relief under this section is subject to restriction or modification in accordance with provisions of the Corporation Tax Acts.
- (9) In this section –
  - “non-decommissioning loss” is to be interpreted in accordance with section 303A;
  - “ring fence trade” has the same meaning as in Part 8 (see section 277).
- (10) See also section 45A(9) (splitting for the purposes of that section and this section of losses that are partly, but not wholly, shock losses of insurance companies).

#### **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(4),
  - (b) any of that amount is not deducted from the company’s total profits of the later period on a claim under section 45A(5) 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,
  - (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, and
  - (c) the further period is not an excluded accounting period of a general insurance company.
- (3) Subsections (4) to (8) 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.
- (4) In this section “excluded accounting period” and “general insurance company” have the same meaning as in section 45A.

**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(4),
  - (b) any of that amount is not deducted from the company’s total profits of the later period on a claim under section 45A(5) 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) any of the conditions in section 45C(2) is not met.
- (2) Subsections (2) to (8) 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 (8) 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 as follows.
- 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 as follows.

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 which fall within subsection (3) may not exceed the relevant maximum.  
But this is subject to subsection (10).
- (3) The following deductions fall within this subsection –
  - (a) any deductions under section 45(4)(b) or 45B;
  - (b) any deduction under section 303B(4) or 303D(5), so far as it is a restricted deduction.
- (4) For the purposes of this section a deduction under section 303B(4) or 303D(5) is a “restricted deduction” so far as it would not be available but for section 304(5) (reduction of income derived from related activities).
- (5) 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.
- (6) Section 269ZF contains provision for determining a company’s relevant trading profits for an accounting period.
- (7) 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.
- (8) An amount specified under subsection (7)(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(4) of FA 2012 (BLAGAB trade profits deductions allowance).
- (9) A company's "deductions allowance" for an accounting period is to be determined in accordance with section 269ZR where, at any time in that period –
- (a) the company is a member of a group (see section 269ZZB), 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 269ZW.
- (10) 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 269ZF(3) 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) and 463H(5) 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 269ZF 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(7)(a) (trading profits deductions allowance) and section 124D(4) 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 269ZR where, at any time in that period –
- (a) the company is a member of a group (see section 269ZZB), 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 269ZW.
- (8) Subsection (2) 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 269ZF(3) 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 –
    - (i) any deductions falling within section 269ZB(3) (carry forward of trade loss against subsequent trade profits) made by the company for the accounting period,
    - (ii) any deductions made by the company for the accounting period under sections 457(3) and 463H(5) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits), and
    - (iii) any deductions made by the company for the accounting period under 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) and section 269ZE.

- (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), 1217SB(2) or 1218ZDB(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 section 303C (excess carried forward non-decommissioning losses of ring fence trade: relief against total profits);
  - (i) 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), 1217SB(2) or 1218ZDB(2) of CTA 2009;
  - (j) a deduction under Part 5A (group relief for carried-forward losses);
  - (k) a deduction under section 124B of FA 2012 (deduction from total profits of excess carried-forward BLAGAB trade losses), (but see section 269ZJ (insurance companies: shock 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) A company’s “relevant profits” for an accounting period are the sum of—
- (a) the company’s relevant trading profits for the accounting period (see section 269ZF(1)),
  - (b) the company’s relevant non-trading profits for the accounting period (see section 269ZF(2), and
  - (c) the company’s relevant BLAGAB trade profits for the accounting period.
- In this subsection “relevant BLAGAB trade profits” has the same meaning as in section 124D of FA 2012.
- (6) A company’s “deductions allowance” for an accounting period is to be determined in accordance with section 269ZR where, at any time in that period—

- (a) the company is a member of a group (see section 269ZZB), 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 269ZW.

- (7) Subsection (2) does not apply in relation to a company for an accounting period where the sum of –
  - (a) the amount given by paragraph (1) of step 1 in section 269ZF(3), and
  - (b) the company's BLAGAB trade profit for the accounting period,
 is not greater than nil.

**269ZE Restriction on deductions from total profits: insurance companies**

- (1) Where the conditions in subsection (2) are met, section 269ZD has effect as if, for subsection (2) of that section there were substituted –
  - “(2) The sum of any relevant deductions made by the company for the accounting period may not exceed the modified loss cap (as defined in section 269ZE).  
But this is subject to subsection (7).”
- (2) The conditions are that –
  - (a) the company referred to in section 269ZD(1) carries on business to which the charge to corporation tax under section 68 of FA 2012 (charge to tax on I-E profit) applies and has an I-E profit for the accounting period,
  - (b) the policyholders' share (if any) of the I-E profit is not the whole of that profit, and
  - (c) the adjusted shareholders' I-E profit for the accounting period is less than the BLAGAB-related loss capacity.
- (3) The “adjusted shareholders' I-E profit” is equal to –
  - (a) the shareholders' share of the I-E profit, less
  - (b) any excess capacity.
- (4) The “BLAGAB-related loss capacity” is equal to  $A + B - C$  where –
  - A is 50% of the company's relevant BLAGAB trade profits for the accounting period (as defined in section 124D of FA 2012);
  - B is the company's BLAGAB trade profits deductions allowance for the period (if any) (as defined in section 124D of FA 2012);
  - C is the total of any deductions made by the company for the accounting period under sections 124(5), 124A(5) and 124C(6) of FA 2012.
- (5) To determine the modified loss cap, take the following steps –
  - Step 1: find the basic loss cap.
  - Step 2: reduce that amount by the BLAGAB-related loss capacity.
  - Step 3: add to the result of step 2 the adjusted shareholders' I-E profit.

The result is the modified loss cap.

- (6) In this section “the basic loss cap” means the difference referred to in the opening words of section 269ZD(2) (assuming that that section has effect without the modification set out in subsection (1) of this section) (but, if applicable, taking account of section 269ZJ).
- (7) In this section “excess capacity” means the amount (if any) by which—
  - (a) the section 269ZF step 2 amount, is less than
  - (b) what the section 269ZF step 2 amount would be if in paragraph (d) of section 269ZF(4) the reference to any I-E profit were to the policyholders’ share of any I-E profit.
- (8) In subsection (7) the reference to the “section 269ZF step 2 amount” is to the sum given by paragraph (1) of step 2 of section 269ZF(3) in calculating the company’s relevant trading profits and relevant non-trading profits for the accounting period: but for this purpose disregard paragraph (4) of step 1 of section 269ZF(3).
- (9) For the purposes of this section the “shareholders’ share” of an insurance company’s I-E profit for an accounting period is equal to—
  - (a) the amount of the I-E profit, less
  - (b) the policyholders’ share (if any) of that profit.
- (10) In this section references to the policyholders’ share of I-E profit are to that share as determined in accordance with section 103 of FA 2012.

#### *Relevant profits*

#### **269ZF “Relevant trading profits” and “relevant non-trading 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 (3)), less
  - (b) the company’s trading profits deductions allowance for the accounting period (see section 269ZB(7)).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 (3)), 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) To determine a company’s qualifying trading profits and qualifying non-trading profits for an accounting period—

*Step 1 - modified total profits*

- (1) Calculate the company's total profits for the accounting period.
- (2) For the purposes of this subsection assume that the company's total profits for the accounting period are to be calculated with the modifications set out in subsection (4).
- (3) If the company's total profits for the accounting period (as modified under paragraph (2)) are not greater than nil, the company's qualifying trading profits and relevant non-trading profits for the accounting period are both nil.
- (4) Otherwise, proceed with steps 2 to 5.

*Step 2 - negative amount for apportioning under step 4*

- (1) Calculate the sum ("the step 2 amount") of any amounts which (on the assumption set out in paragraph (2) of step 1), could be relieved against the company's total profits of the accounting period.
- (2) But in calculating that sum, ignore the amount of any excluded deductions for the accounting period (see subsection (5)).
- (3) If the company's total profits for the accounting period (as modified under step 1(2)) do not exceed the amount given by this step, the qualifying trading profits and the qualifying non-trading profits are both nil.
- (4) Otherwise, proceed with steps 3 to 5.

*Step 3 - trade profits and non-trade profits*

Divide the company's total profits for the accounting period (as modified under step 1(2)) into—

- (a) profits of a trade of the company (the company's "trade profits"), and
- (b) profits that are not profits of a trade of the company (the company's "non-trade profits").

*Step 4 - apportioning the step 2 amount*

Take the step 2 amount and do one of the following—

- (a) reduce the company's trade profits by the whole of that amount,
- (b) reduce the company's non-trade profits by the whole of that amount, or
- (c) reduce the company's trade profits by part of that amount and reduce the company's non-trade profits by the remaining part of that amount.

Apply this step in a way which ensures that neither the company's trade profits nor the company's non-trade profits are reduced below nil.

*Step 5 - amount of qualifying trading or non-trading profits (if not determined under step 1 or 2)*

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, and
- (b) in the case of the amount in step 3(b), the company's qualifying non-trading profits.

- (4) For the purposes of subsection (3) the company's total profits for an accounting period are to be 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) ignore any ring fence profits (as defined in section 276);
  - (c) ignore any contractor's ring fence profits (as defined in section 356LD);
  - (d) if the company is an insurance company, ignore any I-E profit (see section 141(2) of FA 2012);
  - (e) 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) section 1209(3), 1210(5A) or 1211(7A) of CTA 2009 (losses of film trade),
    - (ii) section 1216DA(3), 1216DB(5A) or 1216DC(7A) of that Act (losses of television programme trade),
    - (iii) section 1217DA(3), 1217DB(5A) or 1217DC(7A) of that Act (losses of video game trade),
    - (iv) section 1217MA(3) or 1217MC(9) of that Act (losses of theatrical trade),
    - (v) section 1217SA(3) or 1217SC(9) of that Act (losses of orchestral trade),
    - (vi) section 1218ZDA(3) or 1218ZDC(9) of that Act (losses of museum or gallery exhibition trade),
    - (vii) section 65(4B) or 67A(5A) (losses of UK or EEA furnished holiday lettings business),
    - (viii) section 269ZJ(1) (insurance companies: shock losses),
    - (ix) section 304(7) (certain losses of ring fence trades), or
    - (x) section 356NJ(2) (pre-1 April 2017 loss arising from oil contractor activities);
  - (f) make no restricted deductions (as defined in section 269ZB(4)) under section 303B(4) or 303D(5)); and
  - (g) make no deductions under section 457(3) or 463H(5) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits), other than deductions that would be ignored for the purposes of section 269ZC by reason of section 269ZJ(2) (insurance companies: shock losses).
- (5) 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 accounting period.

*Exclusion for certain general insurance companies*

**269ZG General insurance companies: excluded accounting periods**

- (1) Nothing in sections 269ZB to 269ZE has effect for determining the taxable total profits of a general insurance company for an excluded accounting period.
- (2) An accounting period of a general insurance company is an “excluded accounting period” if conditions A and B are met.
- (3) Condition A is that –
  - (a) the company is subject to insolvency procedures (see section 269ZH) at the end of the accounting period,
  - (b) immediately before it became subject to insolvency procedures the company –
    - (i) was unable to pay its debts as they fell due, and
    - (ii) met the non-viability condition, and
  - (c) the company’s liabilities in respect of qualifying latent claims (see section 269ZI) were the main factor contributing to the company’s meeting the non-viability condition at that time.
- (4) Condition B is that –
  - (a) at the end of the accounting period the company meets the non-viability condition, and
  - (b) the company’s liabilities in respect of qualifying latent claims are the main factor contributing to the company’s meeting that condition at that time.
- (5) At any time, a general insurance company meets the non-viability condition if there is no realistic prospect that it will subsequently write any new insurance business.
- (6) For the purposes of this section a person who carries on the activity of effecting or carrying out contracts of general insurance is a “general insurance company” if –
  - (a) the person has permission under Part 4A of the Financial Services and Markets Act 2000 to carry on that activity,
  - (b) the person is of the kind mentioned in paragraph 5(d) or (da) of Schedule 3 to the Financial Services and Markets Act 2000 (EEA passport rights) and carries on that activity in the United Kingdom through a permanent establishment there, or
  - (c) the person qualifies for authorisation under Schedule 4 to the Financial Services and Markets Act 2000 (Treaty rights) and carries on that activity in the United Kingdom through a permanent establishment there.

- (7) The definition in subsection (6) is subject to the following qualifications—
- (a) a friendly society within the meaning of Part 3 of FA 2012 is not a general insurance company, and
  - (b) an insurance special purpose vehicle (as defined in section 139 of FA 2012) is not a general insurance company.
- (8) In this section—
- “contract of general insurance” means a contract of a type described in Part 1 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544);
  - “liability” includes a contingent or prospective liability.

### **269ZH “Insolvency procedures”**

- (1) For the purposes of section 269ZG a company is subject to insolvency procedures if—
- (a) it is in liquidation,
  - (b) it is in administration,
  - (c) it is in receivership, or
  - (d) a relevant scheme has effect in relation to it.
- (2) A company is “in liquidation” for the purposes of this section if—
- (a) it is in liquidation within the meaning of section 247 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or
  - (b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.
- (3) A company is “in administration” for the purposes of this section if—
- (a) it is in administration within the meaning of Schedule B1 to the Insolvency Act 1986 or Schedule B1 to the Insolvency (Northern Ireland) Order 1989, or
  - (b) there is in force in relation to it under the law of a country or territory outside the United Kingdom any appointment corresponding to the appointment of an administrator under either of those Schedules.
- (4) A company is “in receivership” for the purposes of this section if there is in force in relation to it—
- (a) an order for the appointment of an administrative receiver, a receiver and manager or a receiver under Chapter 1 or 2 of Part 3 of the Insolvency Act 1986 or Part 4 of the Insolvency (Northern Ireland) Order 1989, or
  - (b) any corresponding order under the law of a country or territory outside the United Kingdom.
- (5) In this section “relevant scheme” means a compromise or arrangement—
- (a) under section 425 of the Companies Act 1985, Article 418 of the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)) or Part 26 of the Companies Act 2006, or

- (b) under any corresponding provision of the law of a country or territory outside the United Kingdom.

**269ZI “Qualifying latent claims”**

- (1) This section applies for the purposes of section 269ZG.
- (2) Where a general insurance company has a liability in respect of a claim, the claim is a “qualifying latent claim” if conditions A to C are met.
- (3) In this section “claim” means a claim (whether actual or potential) under an insurance policy.
- (4) Condition A is that –
  - (a) the claim is of a type that was not reasonably foreseeable at the time when the insurance policy concerned was entered into, and
  - (b) it is likely that, had the company foreseen that type of claim, the price or other terms of the policy would have been significantly different.
- (5) Condition B is that the latency period associated with that type of claim (see subsection (7)) is more than 10 years.
- (6) Condition C is that the insurance policy, or the part of the insurance policy under which the claim is or would be made, is –
  - (a) an employer’s liability policy, or
  - (b) a public or products liability policy.
- (7) The “latency period” associated with a type of claim is the mean period for claims of the type between –
  - (a) the insured event giving rise to the claim, and
  - (b) notification of the claim.
- (8) The mean period mentioned in subsection (7) is to be determined as at the end of the accounting period mentioned in section 269ZG(2).
- (9) In this section –
 

“employer’s liability policy” means an insurance policy against the risks of the person insured incurring liabilities to the insured’s employees for injury, illness or death arising out of their employment during the course of business;

“general insurance company” is to be interpreted in accordance with section 269ZG;

“insurance policy” includes any contract of insurance;

“liability” includes a contingent or prospective liability;

“public or products liability policy” means an insurance policy against the risks of the person insured incurring liabilities to third parties for damage to property, injury, illness or death, arising in the course of the insured’s business.

**269ZJ Exclusion of shock losses from restrictions**

- (1) If a shock loss is –
  - (a) carried forward to an accounting period of an insurance company (see section 269ZP(2)), and

- (b) deducted under section 45B (post-1 April 2017 trade losses carried forward against trade profits),  
the deduction is to be treated as not falling within section 269ZB(3).
- (2) If a shock loss is –
  - (a) carried forward to an accounting period of an insurance company, and
  - (b) deducted under section 463H of CTA 2009 (carry forward of unrelieved non-trading deficit from loan relationships against non-trading profits),  
the company is to be treated for the purposes of sections 269ZC and 269ZD(2)(b)(ii) as not having made that deduction.
- (3) If an insurance company makes a deduction of (or in respect of) a shock loss, that deduction is not a “relevant deduction” for the purposes of section 269ZD (restriction on deductions from total profits).
- (4) See also section 124E of FA 2012 (exclusion from the restriction on deductions from BLAGAB trade profits).

**269ZK Meaning of “shock loss”: requirement to make a claim**

- (1) If the conditions in subsection (3) are met, an insurance company may make a claim in respect of –
  - (a) a loss or other amount (the “specified loss”), and
  - (b) a period of 12 months (“the specified period”) which is a solvency shock period (see section 269ZM).
- (2) A claim may specify more than one 12 month period under subsection (1)(b) (but periods specified by an insurance company under this section may not overlap with one another).
- (3) The conditions are that –
  - (a) the accounting period (for corporation tax purposes) in which the specified loss arises (“the loss-making period”) begins on or after 1 April 2017,
  - (b) the specified loss is, or is capable of being, carried forward to a subsequent accounting period, and
  - (c) the loss-making period and the specified period have one or more days in common.
- (4) A claim under this section must be made within –
  - (a) the period of two years after the end of the loss-making period, or
  - (b) such further period as an officer of Revenue and Customs allows.
- (5) If –
  - (a) a claim is made under this section, and
  - (b) the whole of the loss-making period is, or falls within, the specified period,the specified loss is a “shock loss”.
- (6) If –
  - (a) a claim is made under this section, and

- (b) the loss-making period falls partly, but not wholly, in the specified period,  
the specified loss is a “shock loss” so far as it is attributable to the specified period.
- (7) For the purposes of subsection (6) the specified loss is “attributable to” the specified period in the proportion –

$$\frac{P}{N}$$

Where P is the number of days of the loss-making period that fall within the specified period and N is the number of days in the loss-making period.

- (8) If the method in subsection (7) would produce a result that is unjust or unreasonable, the apportionment of the specified loss for the purposes of subsection (6) is to be made on a just and reasonable basis.

**269ZL Further provision about claims under section 269ZK**

- (1) A claim under section 269ZK is not effective unless –
- (a) the claim –
    - (i) states the company’s solvency capital requirement at the beginning of the specified period,
    - (ii) states the company’s shock loss threshold for that period, and sets out the calculation of that amount (as described in steps 2 to 5 of 269ZN(1)), and
    - (iii) states the amount of the company’s solvency loss for that period (see section 269ZO), and
  - (b) the company submits with the claim –
    - (i) information (“the submitted information”) corresponding to the information specified in the template mentioned in point (i), (j) or (k) (as the case requires) of Article 4 of the technical standards implementing Regulation, and
    - (ii) a report provided by the appropriate person which meets the condition in subsection (2).
- (2) The condition is that the report includes an opinion confirming that –
- (a) the submitted information is prepared in all material respects in accordance with any relevant requirements which would apply if the submitted information were disclosed as part of the company’s report on solvency and financial condition,
  - (b) the calculation of the company’s shock loss threshold (not including step 1(a) of section 269ZN(1)) complies in all material respects with section 269ZN, and
  - (c) the company’s solvency loss is calculated in all material respects in accordance with section 269ZO.
- (3) In this section “relevant requirements” means –

- (a) requirements under rules made by the Prudential Regulation Authority, and
  - (b) requirements under any directly applicable EU regulation made under the Solvency 2 Directive.
- (4) In this section “the appropriate person” means—
- (a) the company’s chief actuary, or
  - (b) (if the company is not a PRA-authorised person) a person with equivalent functions.
- (5) Subsections (1)(b)(i), (2)(a) and (3) have effect in relation to a third-country insurance undertaking as if it were an insurance undertaking.

### **269ZM Meaning of “solvency shock period”**

A period of 12 months is a “solvency shock period” in relation to an insurance company if the company has a solvency loss for that period (see section 269ZO) which exceeds the company’s shock loss threshold for that period (see section 269ZN).

### **269ZN Determination of shock loss threshold**

- (1) A company’s shock loss threshold for a 12 month period is determined as follows.
- Step 1*
- (a) Calculate the company’s solvency capital requirement at the beginning of that period.
  - (b) But any adjustment for the loss-absorbing capacity of deferred taxes is to be calculated, and applied, on the assumption that that period is a solvency shock period in relation to the company.
  - (c) The resulting amount is the company’s “adjusted SCR”.
- Step 2*
- Calculate the deductible amount (see subsection (2)) for each relevant ring-fenced fund of the company.
- Step 3*
- Deduct the total of the amounts found under step 2 from the company’s adjusted SCR.
- Step 4*
- Multiply the amount found under step 3 by 90%.
- Step 5*
- The result is the company’s shock loss threshold for the period.
- (2) The deductible amount for a relevant ring-fenced fund is the lesser of A and B, where—
- (a) A is the amount of basic own funds within that fund at the beginning of the period (or zero, if greater);
  - (b) B is the notional solvency capital requirement for that fund at the beginning of that period.
- (3) But in calculating amount A for the purposes of subsection (2)—
- (a) no account is to be taken of the value of future transfers attributable to shareholders;

- (b) a restricted own-fund item within the fund is to be disregarded if the company's with-profits actuary provides a written opinion confirming that the condition in subsection (4) is met.
- (4) The condition is that –
- (a) the item is available as a restricted own-fund item pursuant to conditional support arrangements, and
  - (b) if at the time mentioned in subsection (2)(a) or any subsequent time (when the conditional support arrangements are in place) the value of the company's interest in the item were to be (or is in fact) greater than zero, that value would be recognised for the purposes of a balance sheet drawn up at the time in question by the company in accordance with generally accepted accounting practice.
- (5) In this section “conditional support arrangements” means arrangements under which the relevant restrictions would cease to apply if specified conditions relating to the financial strength of the fund were met.
- (6) In subsection (5) “the relevant restrictions” means the restrictions on transferability as a result of which the item is a restricted own-fund item.
- (7) In this section “adjustment for the loss-absorbing capacity of deferred taxes” means –
- (a) an adjustment pursuant to Article 103(c) of the Solvency 2 Directive, or
  - (b) any corresponding adjustment made pursuant to Subsection 3 of Section 4 of Chapter 6 of Title 1 of the Solvency 2 Directive (solvency capital requirement full and partial internal models).
- (8) Where the company is a third-country insurance undertaking –
- (a) steps 1(b) and 2 to 5 of subsection (1), and
  - (b) subsections (2) to (7),
- have effect with any modifications that are appropriate as a result of the reference in step 1(a) of subsection (1) to the “solvency capital requirement” having effect in accordance with section 269ZP(1)(b).

### **269ZO Calculation of solvency loss**

- (1) An insurance company's solvency loss (if any) for a 12 month period is determined as follows.
- (2) Calculate, in the manner set out in subsections (5) to (11) –
  - (a) whether the total amount of the company's basic own funds at the beginning of the period (“opening BOF”) exceeds the total amount of the company's basic own funds at the end of the period (“closing BOF”), and
  - (b) if so, the amount by which opening BOF exceeds closing BOF.
- (3) The company has a solvency loss for the 12 month period only if an excess of opening BOF over closing BOF is found under subsection (2)(a).

- (4) The amount found under subsection (2)(b) is the amount of the solvency loss.
- (5) The method of calculation under subsection (2) must fairly represent the method by which the company calculates its solvency capital requirement.  
But this is subject to subsections (6) to (10).
- (6) Closing BOF is to be calculated on the assumption that the 12 month period mentioned in subsection (1) is a solvency shock period in relation to the company.
- (7) The following adjustments are to be made in calculating the company's basic own funds at the beginning and end of the period –
1. Find (with respect to each of those times) what that amount would be in the absence of this subsection.
  2. Find the surplus in respect of each relevant ring-fenced fund of the company (at the time in question).
  3. Deduct the total of the amounts found under paragraph 2 from the amount found under paragraph 1.
- The result is to be taken to be the amount of the company's basic own funds at the beginning, or (as the case may be) the end, of the period.
- (8) The surplus in respect of a relevant ring-fenced fund (at any time) is equal to –
- (a) the amount of basic own funds attributable to policyholders, or
  - (b) zero, if greater.
- (9) For any relevant ring-fenced fund, the amount of basic own funds attributable to policyholders (at any time) is equal to –

$$A - B$$

where –

A is the amount of basic own funds within the relevant ring-fenced fund;

B is the total of any items in the fund that fall within subsection (10).

- (10) The items are –
- (a) the value of future transfers attributable to shareholders;
  - (b) any restricted own-fund item in relation to which the company's with-profits actuary provides a written opinion confirming that the condition in subsection (4) of section 269ZN is met.
- (11) In subsection (5) the reference to the "method" of a calculation is to the –
- (a) taking into account, and
  - (b) leaving out of account,
- of variations in items of basic own funds for the purposes of the calculation.

- (12) If the company is a third-country insurance undertaking, subsections (1) to (11) have effect in relation to it as if it were an insurance undertaking.

### **269ZP Interpretation of sections 269ZJ to 269ZO**

- (1) In sections 269ZJ to 269ZO “solvency capital requirement” –
- (a) in relation to an insurance undertaking or a reinsurance undertaking, means the solvency capital requirement pursuant to Section 4 of Chapter 6 of Title 1 of the Solvency 2 Directive;
  - (b) in relation to a third-country insurance undertaking, means the amount that would be the undertaking’s solvency capital requirement pursuant to Section 4 of Chapter 6 of Title 1 of the Solvency 2 Directive if that undertaking were an insurance undertaking.
- (2) In sections 269ZJ to 269ZO and this section –
- “actuarial function”, in relation to a PRA-authorized person, has the meaning given by the PRA Rulebook;
  - “basic own funds” is to be interpreted in accordance with Article 88 of the Solvency 2 Directive;
  - “chief actuary”, in relation to a PRA-authorized person, means a person who has the function of having responsibility for the actuarial function;
  - “insurance company” means a company which is an insurance undertaking, a reinsurance undertaking or a third-country insurance undertaking;
  - “insurance undertaking” has the meaning given in Article 13(1) of the Solvency 2 Directive;
  - “notional solvency capital requirement”, in relation to a ring-fenced fund, has the same meaning as in Commission Delegated Regulation (EU) 2015/35 supplementing the Solvency 2 Directive;
  - “PRA-authorized person” has the same meaning as in the Financial Services and Markets Act 2000 (see section 2B(5) of that Act);
  - “the PRA Rulebook” means the Rulebook made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000 (as that Rulebook has effect from time to time);
  - “reinsurance undertaking” has the meaning given in Article 13(4) of the Solvency 2 Directive;
  - “relevant ring-fenced fund” means a ring-fenced fund that is a with-profits fund;
  - “report on solvency and financial condition” means a report on solvency and financial condition pursuant to Article 51 of the Solvency 2 Directive;
  - “restricted own-fund item” is to be interpreted in accordance with Article 80(2) of Commission Delegated Regulation (EU) 2015/35 supplementing the Solvency 2 Directive;
  - “ring-fenced fund” has the same meaning as in Commission Delegated Regulation (EU) 2015/35 supplementing the Solvency 2 Directive;

“Solvency 2 Directive” means Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

“technical standards implementing Regulation” means Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with the Solvency 2 Directive;

“third-country insurance undertaking” means an undertaking that has received authorisation under Article 162 of the Solvency 2 Directive from the Prudential Regulation Authority or the Financial Conduct Authority;

“value of future transfers attributable to shareholders” has the same meaning as in Article 80 of Commission Delegated Regulation (EU) 2015/35 supplementing the Solvency 2 Directive;

“with-profits fund” has the meaning given by the Glossary forming part of the PRA Rulebook;

“with-profits actuary” has the meaning given by the Glossary forming part of the Handbook made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 (as that Handbook has effect from time to time).

#### **269ZQ Power to amend**

- (1) The Treasury may by regulations make such amendments of the provisions mentioned in subsection (2) as they consider appropriate in consequence of –
  - (a) any change made to, or replacement of, the PRA Rulebook or the FCA Handbook;
  - (b) any regulatory requirement, or change to a regulatory requirement, imposed by EU legislation, or by or under any Act (whenever adopted, enacted or made).
- (2) The provisions are –
  - (a) sections 269ZJ to 269ZP,
  - (b) sections 124A to 124E of FA 2012.
- (3) Regulations under this section may include transitional provision.
- (4) In this section –
  - “the PRA Rulebook” means the Rulebook made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000 (as that Rulebook has effect from time to time);
  - “the FCA Handbook” means the Handbook made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 (as that Handbook has effect from time to time).

*Deductions allowance*

**269ZR 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 269ZS to 269ZV, 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.

**269ZS 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 –

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

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.

**269ZT 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 269ZV.

**269ZU Group allowance allocation statement: submission of revised statement**

- (1) This section applies if a group allowance allocation statement has been submitted under section 269ZT, 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 269ZV.

**269ZV Group allowance allocation statement: requirements and effects**

- (1) This section applies in relation to a group allowance allocation statement submitted under section 269ZT or 269ZU.
- (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 269ZT or 269ZU.
- (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 269ZU(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.

#### **269ZW 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 269ZR (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.

#### **269ZX Increase of deductions allowance where provision for onerous lease reversed**

- (1) This section applies if –
  - (a) a relevant reversal credit (see section 269ZY) is brought into account in calculating a company's specified profits for an accounting period, and
  - (b) the amount of the company's specified profits for the accounting period is greater than nil.
- (2) For the purposes of this section a company's "specified profits" for an accounting period are the sum of –
  - (a) the company's total profits for the accounting period, calculated with the modifications set out in section 269ZF(4), and
  - (b) any I-E profit of the company for the accounting period.

- (3) The company's deductions allowance for the accounting period (as determined in accordance with section 269ZR or 269ZW) is to be treated (for all purposes) as increased by –
- (a) the amount of the relevant reversal credit, or
  - (b) if lower, the amount of the specified profits.

**269ZY Meaning of “relevant reversal credit”**

- (1) For the purposes of section 269ZX a “relevant reversal credit” is a credit, or other income, brought into account in respect of the relevant reversal (see subsections (3) and (5)) of a relevant onerous lease provision.
- (2) A provision in the accounts of a company (“C”) is a “relevant onerous lease provision” if –
  - (a) the provision relates to a lease of land under which C is the tenant (and “L” is the landlord),
  - (b) the provision is required, for accountancy purposes, as a provision for an onerous lease, and
  - (c) the lease was entered into at arm's length.
- (3) The reversal (in whole or in part) of a relevant onerous lease provision is a “relevant reversal” if –
  - (a) the reversal is required for accountancy purposes as a result of an arrangement (“C's arrangement”) made at arm's length under which C's obligations under the lease are varied or cancelled,
  - (b) subsection (4) does not apply, and
  - (c) at least one of conditions X, Y and Z in subsection (7) is met.
- (4) This subsection applies if –
  - (a) C and L are connected at the time when C's arrangement is made, or
  - (b) the landlord who granted the lease (whether that was L or another person) and the tenant to whom it was granted (whether that was C or another person) were connected at the time when the lease was granted.
- (5) The reversal (in whole or in part) of a relevant onerous lease provision is a “relevant reversal” if –
  - (a) the lease has been granted out of a lease (“the superior lease”),
  - (b) L and C are members of the same group of companies,
  - (c) the reversal would be a relevant reversal by virtue of subsection (3) if the condition in subsection (3)(b) (lack of connection between C and L) were met,
  - (d) the terms of C's arrangement substantially reflect those of an arrangement (“L's arrangement”) made at arm's length under which L's obligations under the superior lease are varied or cancelled, and
  - (e) subsection (6) does not apply.
- (6) This subsection applies if –
  - (a) at the time when L's arrangement is made, the landlord under the superior lease (“S”) is connected with L or C, or

- (b) the landlord who granted the superior lease (whether that is S or another person) and the tenant to whom it was granted (whether that was L or another person) were connected at the time when that lease was granted.
- (7) The conditions mentioned in subsection (3)(c) are as follows.

Condition X is that –

  - (a) it is reasonable to suppose that immediately before C’s arrangement was made there was a material risk that at some time within the next 12 months C would be unable to pay its debts as they fell due, and
  - (b) the sole or main purpose of C’s arrangement was to avert that risk (whether directly or indirectly).

Debts due to a person connected with C are to be regarded as not being debts for the purposes of paragraph (a).

Condition Y is that C is in insolvent administration.

Condition Z is that C’s arrangement is, or is part of, a statutory insolvency arrangement.
- (8) In this section “statutory insolvency arrangement” means –
  - (a) a voluntary arrangement that has taken effect under, or as a result of, the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/ 2405 (N.I. 19)),
  - (b) a compromise or arrangement that has taken effect under Part 26 of the Companies Act 2006, or
  - (c) an arrangement or compromise of a kind corresponding to any of those mentioned in paragraph (a) or (b) that has taken effect under, or as a result of, the law of a country or territory outside the United Kingdom,

(and for the purposes of this section an arrangement which is, or is part of, a statutory insolvency arrangement is taken to be “made” when the statutory insolvency arrangement takes effect).
- (9) For the purposes of this section a company in administration is in insolvent administration if –
  - (a) it entered administration under Schedule B1 to the Insolvency Act 1986, or Schedule B1 to the Insolvency (Northern Ireland) Order 1989, at a time when its assets were insufficient for the payment of its debts and other liabilities and the expenses of the administration, or
  - (a) under the law of a country or territory outside the United Kingdom circumstances corresponding to those mentioned in paragraph (a) exist.
- (10) In the application of subsection (5) to Scotland, the reference to the lease having been granted out of the superior lease is to the lease being a sublease of land subject to the superior lease.
- (11) Section 152 (groups of companies) applies for the purposes of this section as it applies for the purposes of Part 5.
- (12) For the purposes of this section any question whether a person is connected with another is to be determined in accordance with section 1122.

### **269ZZ Company tax return to specify amount of deductions allowance**

- (1) A company's tax return for an accounting period must specify –
  - (a) the amount of the company's deductions allowance for the period, and
  - (b) if section 269ZX (increase of deductions allowance where provision for onerous lease reversed) applies, what that amount would be without the increase provided for by subsection (3) of that section.
- (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.

### **269ZZA 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,
  - (c) the company's non-trading profits deductions allowance for the period,
  - (d) the company's contractor's ring fence profits deductions allowance for the period, or
  - (e) the company's BLAGAB trade 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.

### **269ZZB 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 “269ZF”, 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 269ZF(3) 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 “269ZF”, 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 269ZF(3) 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 “269ZD(5)”,
- (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 269ZF(3) 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 269ZF(2)”.
- (3) In the definition of “relevant profits” for the words from “means” to the end substitute “has the meaning given by section 269ZD(5)”.
- (4) In the definition of “relevant trading profits” for the words from “means” to the end substitute “has the meaning given by section 269ZF(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 188BJ place restrictions on the surrendering of losses and other amounts.

#### **188BB Surrender of carried-forward losses and other amounts**

- (1) Subsection (2) applies if –
  - (a) a loss or other amount is carried forward to an accounting period of a company under any of the following provisions –
    - (i) section 463G(6) of CTA 2009 (carry forward of post-1 April 2017 non-trading deficit from loan relationships);
    - (ii) section 753(3) of that Act (carry forward of non-trading loss on intangible fixed assets);
    - (iii) section 1223 of that Act (carry forward of expenses of management of investment business);
    - (iv) section 45A(4) of this Act (carry forward of post-1 April 2017 trade loss);
    - (v) sections 62(5)(a) and 63(3)(a) of this Act (carry forward of loss made in UK property business); or
  - (b) section 303C of this Act (excess carried forward non-decommissioning losses of ring fence trade: relief against total profits) applies in relation to an amount.
- (2) The company may surrender the loss or other amount under this Chapter so far as the loss or other amount is 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 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.
- (8) See sections 188BC to 188BJ 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 Restrictions for certain insurance companies**

- (1) If the surrendering company is a general insurance company and the surrender period is an excluded accounting period, the company may not surrender under this Chapter –
- (a) a loss carried forward to the surrender period under section 753(3) of CTA 2009;
- (b) expenses carried forward to the surrender period under section 1223 of CTA 2009;
- (c) a loss carried forward to the surrender period under section 62(5)(a) or 63(3)(a).
- (2) In subsection (1) “excluded accounting period” and “general insurance company” are to be interpreted in accordance with section 269ZG.
- (3) If the surrendering company is a Solvency 2 insurance company it may not surrender under this Chapter –
- (a) a loss carried forward to the surrender period under section 753(3) of CTA 2009,
- (b) expenses carried forward to the surrender period under section 1223 of CTA 2009, or
- (c) a loss carried forward to the surrender period under section 62(5)(a) or 63(3)(a),
- so far as the loss is, or (as the case may be) the expenses are, a shock loss.

**188BH 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 United Kingdom 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 188BI –
  - “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.

#### **188BI 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 –
  - (a) carrying on a trade of dealing in or developing UK land, or
  - (b) 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.

### **188BJ 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 any amount which is carried forward to that period and falls within section 124B(1)(b) 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 maximum 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 maximum for overlapping period**

(1) The claimant company’s relevant maximum for the overlapping period is determined as follows –

*Step 1*

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

*Step 2*

Deduct from that amount the sum of –

- (a) any deductions made by the company for the claim period
  - (i) under section 45(4)(b) or 45B(4), or
  - (ii) under section 303B or 303D by virtue of section 304(5),
- (b) any deductions made by the company for the claim period under section 457(3) or 463H(5) of CTA 2009,
- (c) any deductions made by the company for the claim period under section 124(5), 124A(5) or 124C(6) of FA 2012, and
- (d) any deductions made by the company for the claim period which are deductions within any of paragraphs (a) to (i) and (k) 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.

(2) In step 2 of subsection (1) –

- (a) in paragraph (a)(i), the references to deductions under section 45(4)(b) or 45B(4) do not include deductions that would be ignored for the purposes of section 269ZB by reason of –
  - (i) section 1209(3), 1210(5A) or 1211(7A) of CTA 2009 (losses of film trade),
  - (ii) section 1216DA(3), 1216DB(5A) or 1216DC(7A) of that Act (losses of television programme trade),
  - (iii) section 1217DA(3), 1217DB(5A) or 1217DC(7A) of that Act (losses of video game trade),
  - (iv) section 1217MA(3) or 1217MC(9) of that Act (losses of theatrical trade),
  - (v) section 1217SA(3) or 1217SC(9) of that Act (losses of orchestral trade),
  - (vi) section 1218ZDA(3) or 1218ZDC(9) of that Act (losses of museum or gallery exhibition trade),
  - (vii) section 65(4B) or 67A(5A) (losses of UK or EEA furnished holiday lettings business),
  - (viii) section 269ZJ(1) (insurance companies: shock losses),
  - (ix) section 304(7) (certain losses of ring fence trades), or
  - (x) section 356NJ(2) (pre-1 April 2017 loss arising from oil contractor activities);
- (b) in paragraph (b) the reference to a deduction under section 463H(5) does not include the deduction of a shock loss.

- (3) If the amount of the claimant company's relevant profits for the claim period (calculated in accordance with section 269ZD(5)) is less than the amount of the claimant company's deductions allowance for the claim period (determined in accordance with section 269ZD(6)), subsection (1) has effect as if step 1 was modified as follows –

*Step 1*

Calculate the claimant company's relevant profits for the claim period in accordance with section 269ZD(5).

- (4) If section 269ZD has effect in relation to the claimant company for the claim period with the modifications set out in section 269ZE(1) (special loss cap for insurance companies in certain cases), subsection (1) has effect as if steps 1 and 2 were modified as follows –

*Step 1*

Determine, in accordance with section 269ZE(5), the modified loss cap for the claimant company and the claim period.

*Step 2*

Reduce that amount by the total of any deductions made by the claimant company for the claim period which are deductions within any of paragraphs (a) to (i) and (k) of section 269ZD(3).

- (5) Subsection (2) is to be ignored if subsection (3) applies.

**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(1), 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 maximum for the overlapping period (see section 188DD to determine the claimant company’s relevant maximum 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 maximum for the overlapping period was 50% of what it would be but for this section (see section 188DD to determine the claimant company’s relevant maximum 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 maximum for the overlapping period under section 188DD, the amount calculated at step 1 of that section is 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 maximum 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 relief 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 maximum for the overlapping period**

- (1) The claimant company’s relevant maximum for the overlapping period is determined as follows –

*Step 1*

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

*Step 2*

Deduct from that amount the sum of –

- (a) any deductions made by the company for the claim period
  - (i) under section 45(4)(b) or 45B(4), or
  - (ii) under section 303B or 303D by virtue of section 304(5),
- (b) any deduction made by the company for the claim period under section 457(3) or 463H(5) of CTA 2009,
- (c) any deductions made by the company for the claim period under section 124(5), 124A(5) or 124C(6) of FA 2012, and
- (d) any deductions made by the company for the claim period which are deductions within any of paragraphs (a) to (i) and (k) 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.

- (2) In step 2 of subsection (1) –

- (a) in paragraph (a)(i), the references to deductions under section 45(4)(b) or 45B(4) do not include deductions that would be ignored for the purposes of section 269ZB by reason of—
- (i) section 1209(3), 1210(5A) or 1211(7A) of CTA 2009 (losses of film trade),
  - (ii) section 1216DA(3), 1216DB(5A) or 1216DC(7A) of that Act (losses of television programme trade),
  - (iii) section 1217DA(3), 1217DB(5A) or 1217DC(7A) of that Act (losses of video game trade),
  - (iv) section 1217MA(3) or 1217MC(9) of that Act (losses of theatrical trade),
  - (v) section 1217SA(3) or 1217SC(9) of that Act (losses of orchestral trade),
  - (vi) section 1218ZDA(3) or 1218ZDC(9) of that Act (losses of museum or gallery exhibition trade),
  - (vii) section 65(4B) or 67A(5A) (losses of UK or EEA furnished holiday lettings business),
  - (viii) section 269ZJ(1) (insurance companies: shock losses),
  - (ix) section 304(7) (certain losses of ring fence trades), or
  - (x) section 356NJ(2) (pre-1 April 2017 loss arising from oil contractor activities);
- (b) in paragraph (b) the reference to a deduction under section 463H(5) does not include the deduction of a shock loss.
- (3) If the amount of the claimant company's relevant profits for the claim period (calculated in accordance with section 269ZD(5)) is less than the amount of the claimant company's deductions allowance for the claim period (determined in accordance with section 269ZD(6)), subsection (1) has effect as if step 1 was modified as follows—
- Step 1*  
Calculate the claimant company's relevant profits for the claim period in accordance with section 269ZD(5).
- (4) If section 269ZD has effect in relation to the claimant company for the claim period with the modifications set out in section 269ZE(1) (special loss cap for insurance companies in certain cases), subsection (1) has effect as if steps 1 and 2 were modified as follows—
- Step 1*  
Determine, in accordance with section 269ZE(5), the modified loss cap for the claimant company and the claim period.
- Step 2*  
Reduce that amount by the total of any deductions made by the claimant company for the claim period which are deductions within any of paragraphs (a) to (i) and (k) of section 269ZD(3).
- (5) Subsection (2) is to be ignored if subsection (4) applies.

#### **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(1), 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).
- (5) In this section “the overlapping period” is to be read in accordance with section 188EH.
- (6) Section 1139 (“tax advantage”) applies for the purposes of this section.

**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,
  - “shock loss” has the meaning given by section 269ZK,
  - “Solvency 2 insurance company” means an insurance company as defined in section 269ZP(2),
  - “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(7),  
 “surrendering company” has the meaning given by 188BB(7),  
 and  
 “the surrender period” has the meaning given by section 188BB(7).

- (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
    - Part 5 of CTA 2010 (group relief) (as applied by section 125),
 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) But (if the company is a Solvency 2 insurance company) –
- (a) the company may not make a claim under this section if the unrelieved amount is wholly a shock loss, and
  - (b) the company may not make a claim specifying a part of the unrelieved amount if that part is (to any extent) a shock loss.
- (5) For the purposes of subsection (4) assume that in any use by the company of the BLAGAB trade loss for relief under –
- (a) section 37 of CTA 2010 (as applied by section 123),
  - (b) Part 5 of CTA 2010 (as applied by section 125), or
  - (c) section 124A(5) or 124C(6),
- any part of it that is a shock loss is used before any part of it that is not a shock loss.
- (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 section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.
- (8) In this section –

“Solvency 2 insurance company” means an insurance undertaking, a reinsurance undertaking or a third-country insurance undertaking;

“insurance undertaking” has the meaning given in Article 13(1) of the Solvency 2 Directive;

“reinsurance undertaking” has the meaning given in Article 13(4) of the Solvency 2 Directive;

“Solvency 2 Directive” means Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

“shock loss” has the meaning given by section 269ZK of CTA 2010;

“third-country insurance undertaking” means an undertaking that has received authorisation under Article 162 of the Solvency 2 Directive from the Prudential Regulation Authority or the Financial Conduct Authority.

**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 124(5), 124A(5) and 124C(6) may not exceed the relevant maximum.

But this is subject to subsection (6).

- (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 “relevant BLAGAB trade profits” for an accounting period are—

- (a) the company’s BLAGAB trade profit for the accounting period, less
- (b) the company’s BLAGAB trade profits deductions allowance for the accounting period.

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

- (4) 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 deductions allowance for the period is so specified.

- (5) An amount specified under subsection (4)(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(7)(a) of CTA 2010 (trading profits deduction allowance) and 269ZC(5)(a) of CTA 2010 (non-trading profits deduction allowance).

- (6) Subsection (1) does not apply to a company for an accounting period if the company’s BLAGAB trade profit for the accounting period is not greater than nil.

- (7) Section 269ZB(9) of CTA 2010 gives the meaning of “deductions allowance” in relation to a company and an accounting period.

**124E Section 124D: shock losses excluded from the restriction**

- (1) Subsection (2) applies where the company making a deduction under section 124A(5) or 124C(6) is a Solvency 2 insurance company.
- (2) The deduction is to be ignored for the purposes of sections 124D(1) and 269ZD(2)(b)(iii) of CTA 2010 so far as it is a deduction of a shock loss.
- (3) Where, by virtue of subsection (2), any deductions made by a Solvency 2 insurance company for an accounting period would be ignored for the purposes of section 124D(1), the references in section 124D(3)(a) and (6) to the company's BLAGAB trade profit have effect as references to that profit as reduced by those deductions.
- (4) In this section "Solvency 2 insurance company" and "shock loss" have the same meaning as in section 124B."

PART 5

CARRYING FORWARD TRADE LOSSES 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

### OIL ACTIVITIES

47 Part 8 of CTA 2010 (oil activities) is amended as follows.

48 After section 303 insert –

**“303A Introduction to sections 303B to 303D: post-1 April 2017 non-decommissioning losses of ring fence trades**

- (1) This section has effect for the purposes of sections 303B to 303D.
- (2) A loss made by a company in a ring fence trade is a “non-decommissioning loss” so far as it is not attributable to expenditure which is relevant expenditure in relation to a decommissioning relief agreement.
- (3) Where a company makes a loss for an accounting period in a ring fence trade, the amount (if any) of that loss that is “attributable to” expenditure which is relevant expenditure in relation to a decommissioning relief agreement is equal to –

- (a) the total amount of such expenditure brought into account in calculating that loss, or
  - (b) if lower, the amount of the loss.
- (4) Expenditure is “relevant expenditure” in relation to a decommissioning relief agreement if it is decommissioning expenditure (as defined in section 81 of FA 2013) to which the provision of the agreement described in section 80(2)(b) of that Act relates.
- In this subsection the reference to section 81 of FA 2013 is to that section as it has effect when the agreement in question is made.
- (5) In this section “decommissioning relief agreement” has the meaning given by section 80 of FA 2013.

### **303B Carry forward of losses against subsequent profits**

- (1) This section applies if—
- (a) in an accounting period beginning on or after 1 April 2017 (“the loss-making period”) a company makes a non-decommissioning loss in a ring fence 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”), and
  - (c) the company continues to carry on the ring fence trade 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 makes a profit in the trade for the later period.
- (4) The relief is given by reducing the profits of the trade in the later period by the unrelieved amount.
- (5) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.

### **303C Excess carried forward losses: relief against total profits**

- (1) This section applies if—
- (a) an amount of a non-decommissioning loss made in a ring fence trade is carried forward to an accounting period of a company (“the later period”) under section 303B(2) or 303D(3), and
  - (b) any of that amount (“the unrelieved amount”) is not deducted under section 303B(4) or 303D(5) (as the case may be) from the company’s profits of the trade (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 (but see subsection (4)).

- (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) The company may not make a claim if—
  - (a) the ring fence trade became small or negligible in the loss-making period or any intervening period,
  - (b) relief under section 37 was unavailable for the non-decommissioning loss by reason of section 37(5) or 44, or
  - (c) relief under section 37 would be unavailable by reason of section 44 for a loss (assuming there was one) made in the ring fence trade in the later period or any intervening period.
- (5) In subsection (4)—
 

“intervening period” means an accounting period of the company which begins after the loss-making period and before the later period, and

“the loss-making period” means the accounting period of the company in which the non-decommissioning loss was made.
- (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 the provisions of the Corporation Tax Acts.

### **303D Further carry forward against subsequent profits of loss not fully used**

- (1) This section applies if—
  - (a) an amount of a loss made in a ring fence trade is carried forward to an accounting period (“the later period”) of a company under section 303B(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 the ring fence trade 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 303B(4) or subsection (5) of this section from the company's profit (if any) of the later period,
  - (b) deducted from the company's total profits of the later period on a claim under section 303C, 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 profit in the trade for that period.

- (5) The relief is given by reducing the profits of the trade of the further period by the remaining carried forward amount.
  - (6) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.”
- 49 (1) Section 304 (losses) is amended as follows.
- (2) After subsection (1) insert –
    - “(1A) Relief in respect of a loss incurred by a company may not be given against that company’s ring fence profits under any provision listed in subsection (1B).
    - (1B) The provisions are –
      - (a) section 753 of CTA 2009 (non-trading losses on intangible fixed assets);
      - (b) section 45A (carry forward of trade loss against total profits);
      - (c) section 62(3) (relief for losses made in UK property business).”
  - (3) In subsection (5), after “45” insert “45B, 303B(4) or 303D(5)”.
  - (4) After subsection (6) insert –
    - “(7) A deduction in respect of a loss made in a ring fence trade is to be ignored for the purposes of section 269ZB (restriction on deductions from trading profits) if the deduction is under –
      - (a) section 45 (carry forward of pre-1 April 2017 trade loss against subsequent profits), or
      - (b) section 45B (carry forward of post-1 April 2017 trade loss against total profits).”
- 50 (1) Section 305 (group relief) is amended as follows.
- (2) In the heading, at the end insert “and group relief for carried-forward losses”.
  - (3) After subsection (1) insert –
    - “(1A) On a claim under Chapter 3 of Part 5A, group relief for carried-forward losses may not be allowed against the claimant company’s ring fence profits.”
  - (4) For subsection (4) substitute –
    - “(4) In this section –
      - “claimant company” is to be read in accordance with Part 5 (see section 188) or Part 5A (see sections 188CB(2) and 188CC(2)), as the case requires;
      - “surrendering company” is to be read in accordance with Part 5 (see section 188).”
- 51 In section 307 (overview of Chapter 5 of Part 8: ring fence expenditure supplement) in subsection (6) for paragraph (c) substitute –
  - “(c) relief given under sections 45, 45B, 303B, 303C and 303D for ring fence losses carried forward from earlier periods.”

- 52 (1) Section 321 (supplement in respect of a post-commencement period) is amended as follows.
- (2) In subsection (2) (treatment of supplement as loss etc) –
- (a) in the words before paragraph (a) after “period” insert “beginning before 1 April 2017”, and
- (b) in paragraph (b) after “forward of” insert “pre-1 April 2017”.
- (3) After subsection (2) insert –
- “(2A) Any post-commencement supplement allowed on a claim in respect of a post-commencement period beginning on or after 1 April 2017 is to be treated for the purposes of the Corporation Tax Acts (other than the post-commencement supplement provisions or Part 4 of Schedule 19B to ICTA) as if it were a loss –
- (a) which is incurred in carrying on the ring fence trade in that period, and
- (b) which falls in whole to be used under section 45B (carry forward of post-1 April 2017 trade loss against subsequent trade profits) to reduce trading income from the ring fence trade in succeeding accounting periods.”
- 53 (1) Section 323 (meaning of “ring fence losses”) is amended as follows.
- (2) In subsection (1) –
- (a) for paragraph (b) substitute –
- “(b) some or all of the loss falls to be carried forward to the following accounting period under section 45, 45B or 303B (carry forward of trade losses against subsequent profits)”, and
- (b) in the words after paragraph (b) for “used” substitute “carried forward”.
- (3) In subsection (2) for “used” substitute “carried forward”.
- 54 For section 327 substitute –

**“327 Reductions in respect of relief for carried-forward ring fence losses**

- (1) Reductions are to be made in accordance with this section in a post-commencement period if the relevant amount for the period (see subsection (4)) is not nil.
- (2) If the company has a non-qualifying pool, the amount in the non-qualifying pool is to be reduced (but not below nil) by setting against it a sum equal to the relevant amount for the post-commencement period.
- (3) If –
- (a) any of that sum remains after being so set against the amount in the non-qualifying pool, or
- (b) the company does not have a non-qualifying pool,
- the amount in the ring fence pool is to be reduced (but not below nil) by setting against it so much of that sum as so remains or (as the case may be) a sum equal to the relevant amount for the post-commencement period.

- (4) For the purposes of this section, the relevant amount for a post-commencement period is the sum of –
- (a) the amount of any relief given in respect of ring fence losses in the post-commencement period under sections 45, 45B, 303B, 303C and 303D, and
  - (b) the amount of any relief prevented from being given in respect of ring fence losses in the post-commencement period by claims made under sections 45(4A) and 45B(5)."
- 55 In section 328A (adjustment of pool to remove pre-2013 losses after the initial 6 periods) in subsection (11) –
- (a) in paragraph (a) for the words from the beginning to “a loss” substitute “no account is to be taken of a loss in determining under section 327(4) the relevant amount for a post-commencement period”, and
  - (b) in paragraph (b) for the words from “ring fence losses” to the end substitute “any such profits are reduced by the use under section 45, 45B, 303B, 303C and 303D of ring fence losses that are not represented by the reduction”.

## PART 7

### OIL CONTRACTORS

- 56 Part 8ZA of CTA 2010 (oil contractors) is amended as follows.
- 57 (1) Section 356NE (losses) is amended as follows.
- (2) The existing text becomes subsection (1) of that section.
  - (3) In subsection (1) –
    - (a) after “the contractor” insert “(or an amount of such a loss)”;
    - (b) after “profits” insert “or section 45A (carry forward of post-1 April 2017 trade loss against total profits)”;
    - (c) after “the loss” insert “(or amount)”.
  - (4) After subsection (1) insert –
    - “(2) Relief in respect of a loss incurred by the contractor may not be given against the contractor’s ring fence profits under any provision listed in subsection (3).
    - (3) The provisions are –
      - (a) section 753 of CTA 2009 (non-trading losses on intangible fixed assets);
      - (b) section 62(3) (relief for losses made in UK property business);
      - (c) section 303C(3) (excess carried forward non-decommissioning losses of ring fence trade: relief against total profits).”
- 58 (1) Section 356NF (group relief) is amended as follows.
- (2) In the heading, at the end insert “and group relief for carried-forward losses”.

(3) After subsection (3) insert –

“(3A) On a claim under Chapter 3 of Part 5A, group relief for carried-forward losses may not be allowed against the claimant company’s contractor’s ring fence profits, except so far as the claim relates to losses incurred by the surrendering company that arose from oil contractor activities.”

(4) For subsection (4) substitute –

“(4) In this section –

“claimant company” is to be read in accordance with Part 5 (see section 188) or Part 5A (see sections 188CB(2) and 188CC(2)), as the case requires;

“surrendering company” is to be read in accordance with Part 5 (see section 188) or Part 5A (see section 188BB(7)), as the case requires.”

59 After section 356NG insert –

*“Restriction on obtaining certain deductions*

**356NH Restriction on deductions from contractor’s ring fence profits**

- (1) For the purpose of determining the contractor’s taxable total profits for an accounting period, the sum of any relevant deductions from total profits made by the contractor for the accounting period may not exceed the relevant Part 8ZA maximum.
- (2) In this section “relevant deduction from total profits” means –
  - (a) any deduction of a loss (or an amount of a loss) under section 45(4)(b) (carry forward of pre-1 April 2017 loss against subsequent profits), so far as the loss arises from oil contractor activities,
  - (b) any deduction of a loss (or an amount of a loss) under section 45A (carry forward of post-1 April 2017 trade loss against total profits), so far as the amount is set against the contractor’s ring fence profits, and
  - (c) any deduction of a loss or other amount under Part 5A (group relief for carried-forward losses), so far as the amount in question is set against the contractor’s ring fence profits.
- (3) In this section “the relevant Part 8ZA maximum” means the sum of –
  - (a) 50% of the contractor’s ring fence profits for the accounting period, and
  - (b) the amount of the contractor’s ring fence profits deductions allowance for the period.

**356NI Deductions allowances where company has contractor’s ring fence profits**

- (1) This section applies if a company (“C”) has contractor’s ring fence profits for an accounting period.
- (2) Subsections (3) to (6) set out how to determine, for the accounting period –

- (a) C's deductions allowance for the purposes of Part 7ZA (restrictions on obtaining certain deductions), and
  - (b) C's contractor's ring fence profits deductions allowance.
- (3) Determine in accordance with Part 7ZA what C's deductions allowance for the period would be in the absence of this section (and call this "amount A").
- (4) Determine C's contractor's ring fence profits deductions allowance for the period in accordance with subsection (5).
- (5) C's "contractor's ring fence profits deductions allowance" for an accounting period –
  - (a) is so much of amount A as is specified in C's company tax return as its contractor's ring fence profits deductions allowance for the period, and
  - (b) accordingly, is nil if no amount is so specified.
- (6) Subsection (7) applies if a relevant reversal credit is brought into account in calculating C's contractor's ring fence profits for the accounting period.

In this subsection the reference to bringing into account a relevant reversal credit is to be interpreted in accordance with section 269ZY.
- (7) C's contractor's ring fence profits deductions allowance for the accounting period (as determined in accordance with subsection (5)) is to be treated for all purposes as increased by –
  - (a) the amount of the relevant reversal credit, or
  - (b) if lower, the amount of the contractor's ring fence profits for the accounting period.
- (8) C's deductions allowance for the period for the purposes of Part 7ZA is to be taken to be an amount equal to amount A less the amount of C's ring fence profits deductions allowance for the period.

### **356NJ Modification of provisions restricting the use of losses**

- (1) The following deductions are to be treated as not being relevant deductions for the purposes of section 269ZD (restrictions on deductions from total profits) –
  - (a) the deduction of a loss (or an amount of a loss) under section 45A (carry forward of post- 1 April 2017 trade loss against total profits), so far as the amount is set against the company's contractor's ring fence profits for the accounting period;
  - (b) the deduction under Part 5A (group relief for carried-forward losses) of a loss or other amount, so far as the amount is set against the company's contractor's ring fence profits for the accounting period.
- (2) A deduction under section 45(4)(b) (carry forward of pre-1 April 2017 trade loss against subsequent profits) of a loss arising from oil contractor activities is to be ignored for the purposes of section 269ZB of CTA 2010 (restriction on deductions from trading profits)."

## PART 8

## TRANSFERRED TRADES

- 61 Chapter 1 of Part 22 of CTA 2010 (transfers of trade without a change of ownership) is amended as follows.
- 62 In section 940A (overview of Chapter) in subsection (4) for “944” substitute “943A”.
- 63 Before section 944 (but after the italic heading preceding that section) insert—

**“943A Disapplication of section 39**

If this Chapter applies to a transfer of a trade, section 39 (terminal losses: extension of periods for which relief may be given) does not apply in relation to a claim under section 37 by the predecessor for relief for a loss made in the transferred trade.”

- 64 (1) Section 944 (modified application of Chapter 2 of Part 4) is amended as follows.
- (2) In the heading for “Chapter 2 of Part 4” substitute “section 45”.
- (3) Omit subsections (1) and (2).
- (4) In subsection (3)—
- (a) for “Relief” substitute “If this Chapter applies to a transfer of a trade, relief”, and
- (b) after “carry forward of” insert “pre-1 April 2017”.
- (5) In subsection (4) after paragraph (a) insert—
- “(ab) any claim made by the predecessor under section 45F in reliance on subsection (2) of section 944C,”.
- 65 After section 944 insert—

**“944A Modified application of section 45A**

- (1) Subsection (2) applies if—
- (a) this Chapter applies to a transfer of a trade,
- (b) the transferred trade is not a ring fence trade,
- (c) the predecessor made a loss in the transferred trade in the accounting period in which it ceased to carry it on,
- (d) that accounting period began on or after 1 April 2017,
- (e) relief for an amount of that loss is not given under section 37 or Part 5,
- (f) relief under section 37 was not unavailable for that loss by reason of a provision mentioned in section 45A(3)(b)(i) or (ii), and
- (g) relief under section 37 would not be unavailable by reason of section 44 for a loss (assuming there was one) made by the successor in the transferred trade in the accounting period in which the successor begins to carry on the transferred trade (“the successor’s start-up accounting period”).

- (2) Subsections (4) to (8) of section 45A (carry-forward of post-1 April 2017 trade loss against total profits) apply as if –
  - (a) references to the unrelieved amount were to the amount referred to in subsection (1)(e),
  - (b) references to the later period were to the successor’s start-up accounting period, and
  - (c) references to the company were to the successor.
- (3) Subsection (4) applies if –
  - (a) this Chapter applies to a transfer of a trade,
  - (b) an amount of a loss made in the transferred trade was carried forward under section 45A(4) to the accounting period of the predecessor in which the predecessor ceased to carry on the trade,
  - (c) any of that amount was not deducted from the predecessor’s total profits on a claim under section 45A(5) or surrendered by the predecessor by way of group relief for carried-forward losses under Part 5A, and
  - (d) relief under section 37 would not be unavailable by reason of section 44 for a loss (assuming there was one) made by the successor in the transferred trade in the accounting period in which the successor begins to carry on the transferred trade (“the successor’s start-up accounting period”).
- (4) Subsections (4) to (8) of section 45A apply as if –
  - (a) references to the unrelieved amount were to so much of the amount referred to in subsection (3)(b) as was not deducted or surrendered as mentioned in subsection (3)(c),
  - (b) references to the later period were to the successor’s start-up accounting period, and
  - (c) references to the company were to the successor.
- (5) In this section “ring fence trade” has the same meaning as in Part 8 (see section 277).

#### **944B Modified application of section 45B**

- (1) Subsection (2) applies if –
  - (a) this Chapter applies to a transfer of a trade,
  - (b) the predecessor made a loss in the transferred trade in the accounting period in which it ceased to carry it on,
  - (c) that accounting period began on or after 1 April 2017,
  - (d) relief under section 37 or 42 or Part 5 is not given for an amount of the loss, and
  - (e) it is the case that –
    - (i) relief under section 37 was unavailable for the loss by reason of any provision mentioned in section 45A(3)(b)(i) or (ii),
    - (ii) relief under section 37 would be unavailable by reason of section 44 for a loss (assuming there was one) made by the successor in the transferred trade in the accounting period in which the successor begins to carry on the transferred trade (“the successor’s start-up accounting period”), or

- (iii) the transferred trade is a ring fence trade.
- (2) Subsections (2) to (8) of section 45B (carry forward of post-1 April 2017 trade loss against trade profits) apply as if—
- (a) references to the unrelieved amount were to the amount mentioned in subsection (1)(d),
  - (b) references to the later period were to the successor’s start-up accounting period,
  - (c) references to the company were to the successor, and
  - (d) references to the trade were to the transferred trade.
- (3) Subsection (4) applies if—
- (a) this Chapter applies to a transfer of a trade,
  - (b) an amount of a loss made in the transferred trade was carried forward under section 45B(2) to the accounting period in which the predecessor ceased to carry on the trade, and
  - (c) any of that amount is not used under section 45B(4) to reduce profits of the transferred trade of the accounting period in which the predecessor ceases to carry on the trade.
- (4) Subsections (2) to (8) of section 45B apply as if—
- (a) references to the unrelieved amount were to so much of the amount referred to in subsection (3)(b) as is not used as mentioned in subsection (3)(c),
  - (b) references to the later period were to the accounting period of the successor in which the successor begins to carry on the transferred trade,
  - (c) references to the company were to the successor, and
  - (d) references to the trade were to the transferred trade.

**944C Modified application of section 45F**

- (1) If this Chapter applies to a transfer of a trade, the predecessor may not make a claim under section 45F for relief to be given for an amount of a loss made in the transferred trade.
- (2) But subsection (1) does not apply if—
- (a) the trade is transferred before 13 July 2017, and
  - (b) the amount of the loss is carried forward to the accounting period in which the predecessor ceases to carry on the trade under section 45 (carry forward of pre-1 April 2017 trade losses).
- (3) Subsection (4) applies if—
- (a) this Chapter applies to a transfer of a trade,
  - (b) an amount of a loss made by the predecessor in the transferred trade is carried forward under section 45, 45A or 45B to the accounting period of the successor in which the successor ceases to carry on the transferred trade, and
  - (c) relief in that accounting period is not given to the successor under section 45, 45A or (as the case may be) 45B for that amount or for any part of it.

- (4) Section 45F has effect as if the loss was made by the successor in the transferred trade in the accounting period in which it began carrying on the transferred trade.

**944D Modified application of section 303B**

- (1) Subsection (2) applies if –
- (a) this Chapter applies to a transfer of a trade,
  - (b) the transferred trade is a ring-fence trade,
  - (c) the predecessor made a non-decommissioning loss in the transferred trade in the accounting period in which it ceased to carry it on,
  - (d) that accounting period began on or after 1 April 2017, and
  - (e) relief under section 37 or 42 or Part 5 is not given for an amount of the loss.
- (2) Subsections (2) to (5) of section 303B (carry forward of non-decommissioning losses against subsequent profits) have effect as if –
- (a) references to the unrelieved amount were to the amount mentioned in subsection (1)(e),
  - (b) references to the later period were to the accounting period of the successor in which the successor begins to carry on the transferred trade,
  - (c) references to the company were to the successor, and
  - (d) references to the trade were to the transferred trade.
- (3) Section 303A (meaning of non-decommissioning loss) applies for the purposes of this section.
- (4) In this section “ring fence trade” has the same meaning as in Part 8 (see section 277).

**944E Modified application of section 303D**

- (1) Subsection (2) applies if –
- (a) this Chapter applies to a transfer of a trade,
  - (b) the trade is a ring-fence trade,
  - (c) an amount of a loss made in the trade was carried forward under section 303B(2) or 303D(3) to the accounting period in which the predecessor ceased to carry on the trade (“the cessation period”), and
  - (d) any of that amount was not –
    - (i) deducted under section 303B(4) or 303D(5) from the predecessor’s profit (if any) of the cessation period,
    - (ii) deducted from the predecessor’s total profits of the cessation period on a claim under section 303C(2), or
    - (iii) surrendered by the predecessor by way of group relief for carried-forward losses under Part 5A.
- (2) Subsections (3) to (6) of section 303D have effect as if –
- (a) the reference to so much of the amount mentioned in section 303D(1)(a) as is unrelieved in the later period were to so much of the amount mentioned in subsection (1)(c) of this

- section as was not deducted or surrendered as mentioned in subsection (1)(d),
- (b) references to the further period were to the accounting period of the successor in which the successor begins to carry on the transferred trade,
  - (c) references to the company were to the successor, and
  - (d) references to the trade were to the transferred trade.
- (3) In this section “ring fence trade” has the same meaning as in Part 8 (see section 277).”
- 66 In section 945 (cases in which predecessor retains more liabilities than assets) in subsection (4), for “section 944(3)” (in both places where those words occur) substitute “sections 944 to 944E”.
- 67 (1) Section 951 (part of trade treated as separate trade) is amended as follows.
- (2) After subsection (6) insert –
- “(7) Subsection (8) applies if –
- (a) a company (“the transferor”) ceases to carry on a trade (“trade Z”),
  - (b) another company (“the transferee”) begins to carry on the activities of trade Z as part of its trade (“part Z”) and
  - (c) by reason of this Chapter an amount of a loss made in trade Z is carried forward under section 45A(4), 45B(2), 303B(2) or 303D(3) to an accounting period of the transferee.
- (8) The provisions of sections 45A to 45F and 303B to 303D have effect, in so far as they apply (or re-apply) in relation to the amount carried forward (or any part of it), as if the transferee carries or carried on part Z as a separate trade.”
- 68 In section 952 (apportionment if part of trade treated as separate trade) in subsection (1) for “or (4)” substitute “, (4) or (8)”.

## PART 9

## TAX AVOIDANCE

*Restriction on refreshing losses*

- 69 (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 “, 463G or 463H”.
- (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*

- 70 Part 14 of CTA 2010 (change in company ownership) is amended as follows.
- 71 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.
- (1D) Chapter 2E restricts relief for trading losses in some cases involving the transfer of a trade.”
- 72 (1) Section 673 (introduction to Chapter 2: disallowance of trading losses) is amended as follows.
- (2) In subsection (2), for “of 3 years in which the change in ownership” substitute “beginning no more than 3 years before the change in ownership occurs which is a period of 5 years in which that change”.
- (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.
- 73 (1) Section 674 (disallowance of trading losses) is amended as follows.
- (2) In subsection (2), after “45” insert “, 45B, 303B or 303D”.

(3) After subsection (2) insert –

“(2A) No relief may be given under section 45A or 303C 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 a company’s total profits of an accounting period ending after the change in ownership.”

74 After section 674 insert –

**“674A Section 674: exception for certain losses of ring fence trade**

- (1) Section 674 does not prevent relief being given for a loss if –
  - (a) the loss is made in a ring fence trade,
  - (b) the loss is not a non-decommissioning loss,
  - (c) it is condition A in section 673 that is met, and
  - (d) the major change by reference to which that condition is met did not occur within a period of 3 years in which the change in ownership occurred.
- (2) In this section –
 

“non-decommissioning loss” is to be interpreted in accordance with section 303A;

“ring fence trade” has the same meaning as in Part 8 (see section 277).”

75 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 beginning no more than 3 years before the change in ownership occurs which is a period of 5 years in which that change 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 2017 trade losses**

A loss made by the transferred 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 following provisions –

- (a) section 45A(5) (carry-forward of post-1 April 2017 trade losses),
- (b) section 45F(3) (carried-forward losses: terminal relief),
- (c) section 303C(3) (excess carried-forward non-decommissioning losses of ring fence trade), and

- (d) section 124B(3) of FA 2012 (excess carried-forward BLAGAB trade losses).

**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 from 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—
  - (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) of CTA 2009 (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 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.”

76 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 (or amount of a 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, 45F and 303C of this Act and section 124B of FA 2012 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 or 303C of this Act or section 124B of FA 2012 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 or 303C of this Act or section 124B of FA 2012 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.”

77 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 of the company mentioned in subsection (2)(b) 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 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) For the purposes of this section –
- (a) the accounting period of the surrendering company mentioned in subsection (3)(b) or (7)(b) (as the case may be) 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.
- (10) Any apportionment under subsection (9)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (11) 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)).

- (12) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsections (4)(b) and (c) and (8)(b) and (c).

**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 A 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.  
 See section 676CG for the meaning of “affected profits”.
- (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 676CF.
- (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(6) of CTA 2009,
  - (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- 1 April 2017 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 loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 303B(2) or 303D(3) (post-1 April non-decommissioning losses of ring fence trade),
  - (g) 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(7).

### 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.”

78 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 (or amount of a 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(6) of CTA 2009,
  - (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- 1 April 2017 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 loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 303B(2) or 303D(3) (post-1 April non-decommissioning losses of ring fence trade),
  - (g) 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(7).

### 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.”

79 After Chapter 2D insert –

**“CHAPTER 2E**

**CHAPTER 3**

POST-1 APRIL 2017 TRADE LOSSES: CASES INVOLVING THE TRANSFER OF A TRADE

**676EA 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).

**676EB Restriction on use of trade losses carried-forward on transfer of trade**

- (1) Subsection (2) applies if –
  - (a) the transferred company transfers a trade to another company (“the successor company”) within the period of 8 years beginning 3 years before the change in ownership,
  - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies, and
  - (c) the transferred company and the successor company are not related to one another both immediately before the change in ownership and at the time of the transfer.
- (2) A loss made by the transferred company in the transferred trade in an accounting period beginning before the change in ownership may not be deducted under section 45A or 303C from the relevant profits of an accounting period of the successor company ending after the change in ownership.
- (3) Profits of an accounting period of the successor company ending after the change in ownership are “relevant 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 cannot fairly and reasonably be attributed to the carrying on by the successor company of the transferred trade.
- (4) If an accounting period of the transferred company begins before, and ends after the change in ownership, then for the purposes of subsection (2) –
- (a) the accounting period is treated as two separate accounting periods, the first ending with the change and the second consisting on the remainder of the period, and
  - (b) a loss made in the trade in the accounting period is apportioned to the two periods.
- (5) If an accounting period of the successor company begins before, and ends after, the anniversary mentioned in subsection (3), 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 of the accounting period are apportioned to the two periods.
- (6) Any apportionment under subsection (4)(b) or (5)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting 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.

**676EC Restriction on surrender of trade losses carried forward on transfer of trade**

- (1) This section applies if –
- (a) the transferred company or a co-transferred company transfers a trade to another company (“the successor company”) within the period of 8 years beginning 3 years before the change in ownership,
  - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies, and
  - (c) another 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 successor company which is an amount of a loss –
    - (i) made in the trade by the transferred company or the co-transferred company in an accounting period beginning before the change in ownership, and

- (ii) carried forward to the surrender period of the successor company under section 45A(3), 303B(2) or 303D(3).
- (3) The general rule is that the relief is not available.
- (4) Subsection (3) does not affect the giving of group relief for carried-forward losses by the making of a deduction under section 188CK(1) from the 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.
- (5) Subsection (3) does not affect the availability of relief under Part 5A if immediately before the change in ownership the group condition was met in relation to the claimant company and the transferred company.
- (6) If an accounting period of the transferred company or co-transferred company begins before, and ends after the change in ownership, then for the purposes of subsection (2)(b) –
  - (a) the accounting period is treated as two separate accounting period, the first ending with the change and the second consisting on the remainder of the period, and
  - (b) a loss made in the trade in the accounting period is apportioned to the two periods.
- (7) If an accounting period of the claimant company begins before, and ends after, the anniversary mentioned in subsection (4), then for the purposes of that subsection –
  - (a) the accounting period is treated as two separate accounting period, the first ending with that date and the second consisting of the remainder of the period, and
  - (b) the profits of the accounting period are apportioned to the two periods.
- (8) Any apportionment under subsection (6)(b) or (7)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (9) 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.

#### **676ED Indirect transfers of a trade**

- (1) Subsections (2) and (3) apply if a trade transferred by the transferred company or a co-transferred company is transferred on a subsequent occasion to another company.
- (2) The transferred company or (as the case may be) the co-transferred company is to be treated for the purposes of this Chapter –
  - (a) as having transferred the trade to that other company, and
  - (b) as having done so at the time it was actually transferred to that other company.
- (3) The deemed transfer is to be treated for the purposes of this Chapter as a transfer to which Chapter 1 of Part 22 applies if the actual

transfer to the other company was a transfer to which that Chapter applies.

- (4) Subsections (5) and (6) apply if—
  - (a) a trade (“the original trade”) is transferred by the transferred company or a co-transferred company,
  - (b) the activities of the original trade are included in the activities of another trade (“the composite trade”), and
  - (c) the composite trade is transferred to another company.
- (5) The transferred company or (as the case may be) the co-transferred company is to be treated for the purposes of this Chapter—
  - (a) as having transferred the original trade to that other company, and
  - (b) as having done so at the time the composite trade was actually transferred to that other company.
- (6) The deemed transfer is to be treated for the purposes of this Chapter as a transfer to which Chapter 1 of Part 22 applies if the transfer of the composite trade to the other company was a transfer to which that Chapter applies.

#### **676EE Interpretation of Chapter**

- (1) Section 940B (meaning of “transfer of trade” and related expressions) applies for the purposes of this Chapter as it applies for the purposes of Chapter 1 of Part 22.
- (2) 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.
- (3) 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).
- (4) 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.”

- 80 (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.
- 81 (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”.
- 82 (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 “, 463G(6) or 463H(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”.
- (4) Where the change in ownership referred to in section 677(1) occurs before 13 July 2017 this paragraph has effect as if sub-paragraph (2) provided 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(6) of CTA 2009.”
- 83 (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.
- 84 (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.
- 85 In section 696 (restriction of debits to be brought into account), in subsection (4)(b), after “461” insert “or 463B(1)(a)”.
- 86 (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 “, 463G(6) or 463H(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”.
- (4) Where the change in ownership referred to in section 692(1) occurs before 13 July 2017 this paragraph has effect as if sub-paragraph (2) provided as follows –
- “(2) In subsection (2), in column 1 of row 5 in the table, for the words from “of CTA 2009” to the end substitute “or 463G(6) of CTA 2009.”
- 87 (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.
- 88 (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.
- 89 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.”

- 90 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,”.
- 91 In section 727 (extended time limit for assessment) for “3” substitute “5”.

*Deduction buying*

- 92 (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 10

NORTHERN IRELAND TRADING LOSSES ETC

- 93 Part 8B of CTA 2010 (trading profits taxable at the Northern Ireland rate) is amended as follows.
- 94 In the italic heading before section 357JB for “section 37” substitute “Chapter 2 of Part 4”.

95 For sections 357JB to 357JE substitute –

**“357JB Availability of relief**

- (1) The references in section 37 and sections 45A to 45F (relief for trade losses) to a loss are, where a company carrying on a trade in an accounting period has Northern Ireland losses of the trade or mainstream losses of the trade, references to those Northern Ireland losses or mainstream losses.
- (2) If a company has a Northern Ireland loss and a mainstream loss in the same accounting period, sections 37 and 45A to 45F have effect in relation to each of those losses separately.
- (3) If by reason of this section a company is entitled under section 37(2), 45A(5), 45B(5) or 45F(2) to make a claim in relation to a Northern Ireland loss (or an amount of such a loss) and a claim in relation to a mainstream loss (or an amount of such a loss), the company may make –
  - (a) one of those claims only, or
  - (b) both of those claims in either order.
- (4) Where –
  - (a) relief is given under section 37, 45A, 45B or 45F for a Northern Ireland loss (or an amount of such a loss), and
  - (b) the profits against which the relief is given includes some profits of the trade that are Northern Ireland profits and some that are not,
 the relief is given first, so far as possible, against the Northern Ireland profits.
- (5) Where –
  - (a) relief is given under section 37, 45, 45A, 45B or 45F for a loss (or an amount of a loss) that is not a Northern Ireland loss, and
  - (b) the profits against which the relief is given include some profits of the trade that are Northern Ireland profits and some that are not,
 the relief is given first, so far as possible, against the profits that are not Northern Ireland profits.

**357JC Restriction on deductions**

- (1) Subsection (2) applies where –
  - (a) relief is given under section 37 for a Northern Ireland loss (“the loss”),
  - (b) the profits against which the relief is given include profits that are not Northern Ireland profits, and
  - (c) at any time during the accounting period for which the relief is given (“the profit period”) the Northern Ireland rate is lower than the main rate.
- (2) The reference in section 37(4) to “the amount of the loss” is to the restricted deduction for the loss, as determined under section 357JJ (restricted deduction where Northern Ireland rate lower than main rate).

- (3) Subsection (4) applies where –
- (a) relief is given under section 45A, 45B or 45F for an amount of a Northern Ireland loss (“the loss”),
  - (b) the profits against which the relief is given include profits that are not Northern Ireland profits, and
  - (c) at any time during the accounting period for which the relief is given (“the profit period”), the Northern Ireland rate is lower than the main rate.
- (4) The reference in section 45A(6), 45B(4) or (as the case may be) 45F(5) to “the unrelieved amount” is to so much of that amount as is equal to the restricted deduction for the loss, as determined under section 357JJ.”

96 After section 357JH insert –

*“Loss relief in relation to Northern Ireland profits and losses: Part 5A*

**357JHA Availability of relief**

- (1) The reference in section 188BB(1)(a) (group relief for carried-forward losses: surrendering of carried-forward losses and other amounts) to a loss carried forward to an accounting period of a company under section 45A(4) is, where a company has Northern Ireland losses or mainstream losses carried forward to an accounting period under that section, a reference to those Northern Ireland losses or mainstream losses.
- (2) Where –
- (a) a company makes a claim for group relief for carried-forward losses under Part 5A in relation to a surrenderable amount that is a Northern Ireland loss, and
  - (b) the profits against which the relief is claimed include some profits that are Northern Ireland profits and some that are not,
- the relief in relation to that surrenderable amount is given first, so far as possible, against the Northern Ireland profits.
- (3) Where –
- (a) a company makes a claim for group relief for carried-forward losses under Part 5A in relation to a surrenderable amount that is not a Northern Ireland loss, and
  - (b) the profits against which the relief is claimed include some profits that are Northern Ireland profits and some that are not,
- the relief in relation to that surrenderable amount is given first, so far as possible, against the profits that are not Northern Ireland profits.

**357JHB Restriction on deductions**

- (1) Subsection (2) applies where –
- (a) a company makes a claim for group relief for carried-forward losses under Part 5A in relation to a surrenderable amount that is a Northern Ireland loss (“the loss”),

- (b) the profits against which the relief is claimed include profits that are not Northern Ireland profits, and
  - (c) at any time during the accounting period for which the relief is claimed (“the profit period”), the Northern Ireland rate is lower than the main rate.
- (2) In section 188CK(2) and (4) (amount of deduction)–
- (a) the reference in paragraph (a) to “an amount equal to” the surrendering company’s surrenderable amounts is, so far as those surrenderable amounts comprise the loss, to the restricted deduction for the loss, as determined under section 357JJ (restricted deduction where Northern Ireland rate lower than main rate);
  - (b) the reference in paragraph (b) to “an amount equal to” part of the surrendering company’s surrenderable amounts is, so far as that part comprises the loss, to the restricted deduction for the loss, as determined under section 357JJ.

#### **357JHC Modifications of Chapter 4 of Part 5A**

- (1) Chapter 4 of Part 5A (limitations on group relief for carried-forward losses: claims under section 188CB) has effect, in relation to a claim under section 188CB in relation to surrenderable amounts that include a Northern Ireland loss, subject to the following provisions of this section.
- (2) In section 188DB(1) (limitation on amount of group relief for carried-forward losses applying to all claims under section 188CB)–
  - (a) paragraphs (a) and (b) are treated as imposing separate limits;
  - (b) the limit in paragraph (a) on the amount of group relief for carried-forward losses to be given on a claim under section 188CB has effect as a limit on the amount of losses and other surrenderable amounts in relation to which relief is to be given on the claim;
  - (c) the limit in paragraph (b) on the amount of group relief for carried-forward losses to be given on a claim under section 188CB has effect as a limit on the amount of the deduction to be made as a result of the claim.
- (3) In section 188DC(6)(b) (unused part of the surrenderable amounts), and in section 188DF(2) so far as it applies in relation to section 188DC, references to the amount of group relief for carried-forward losses given on a claim are to the amount of losses and other surrenderable amounts in relation to which relief is given on the claim.
- (4) In section 188DE(4)(b) (previously claimed group relief for carried-forward losses), and in section 188DF(2) so far as it applies in relation to section 188DE, references to the amount of group relief for carried-forward losses given on a claim are to the amount of the deduction made as a result of the claim.
- (5) In section 188DH (limitation on group relief for carried-forward losses where claim under section 188CB is based on consortium condition 1), the limit in subsection (2) on the amount of group relief

for carried-forward losses to be given on a claim has effect as a limit on the amount of the deduction to be made as a result of the claim.

- (6) In section 188DL (limitation on group relief for carried-forward losses where claim under section 188CB is made by member of a group of companies) –
  - (a) the reference in subsection (3)(a) to the maximum amount of group relief for carried-forward losses that could be claimed by the claimant company has effect as a reference to the maximum amount of the deduction that could be made as a result of claims by the claimant company, and
  - (b) the reference in subsection (3)(b) to the maximum amount of group relief under Part 5 that could be claimed by the claimant company has effect as a reference to the maximum amount of the deduction that could be made as a result of claims by the claimant company.

### **357JHD Modifications of Chapter 5 of Part 5A**

- (1) Chapter 5 of Part 5A (limitations on group relief for carried-forward losses: claims under section 188CC) has effect, in relation to a claim under section 188CC in relation to surrenderable amounts that include a Northern Ireland loss, subject to the following provisions of this section.
- (2) In section 188EB(1) (limitation on amount of group relief for carried-forward losses applying to all claims under section 188CC) –
  - (a) paragraphs (a), (b) and (c) are treated as imposing separate limits;
  - (b) the limit in paragraph (a) on the amount of group relief for carried-forward losses to be given on a claim under section 188CC has effect as a limit on the amount of losses and other surrenderable amounts in relation to which relief is to be given on the claim;
  - (c) the limits in paragraphs (b) and (c) on the amount of group relief for carried-forward losses to be given on a claim under section 188CC have effect as limits on the amount of the deduction to be made as a result of the claim.
- (3) In section 188EC(6) and (8)(b) (unused part of the surrenderable amounts attributable to the specified-loss making period), and in section 188EG(2) so far as it applies in relation to section 188EC, references to the amount of group relief for carried-forward losses given on a claim are to the amount of losses and other surrenderable amounts in relation to which relief is given on the claim.
- (4) In section 188EE(4)(b) (previously claimed group relief for carried-forward losses), and in section 188EG(2) so far as it applies in relation to section 188EE, references to the amount of group relief for carried-forward losses given on a claim are to the amount of the deduction made as a result of the claim.
- (5) In section 188EI (condition 4: companies in link company's group), the limit in subsections (2) and (3) on the amount of group relief for carried-forward losses to be given on a claim has effect as a limit on the amount of the deduction to be made as a result on the claim.

- (6) In section 188EK (conditions 3 or 4: surrendering company in group of companies), the reference in subsection (4) to the maximum amount of group relief for carried-forward losses that could be given has effect as a reference to the maximum amount of losses and other surrenderable amounts in relation to which relief could be given.”
- 97 In section 357JJ (restricted deduction: Northern Ireland rate lower than main rate) –
- (a) in subsection (1) for “357JC(2), 357JE(2) or 357JG(2)” substitute “357JC(2) or (4), 357JG(2) or 357JHB(2)”, and
- (b) in subsection (6) for “section 357JC(1), 357JE(1) or 357JG(1)” substitute “357JC(1) or (3), 357JG(1) or 357JHB(1)”.
- 98 In section 357RF (losses of film trade: restriction on use of losses while film is in production) in subsection (2) for “subsection (2)” substitute “subsections (2) and (3)”.
- 99 In section 357RG (losses of film trade: use of losses in later periods) in subsection (3) after “subsections (5)” insert “, (5A)”.
- 100 In section 357SF (losses of television programme trade: restriction on use of losses while programme in production) in subsection (2) for “subsection (2)” substitute “subsections (2) and (3)”.
- 101 In section 357SG (losses of television programme trade: use of losses in later periods) in subsection (3) after “subsections (5)” insert “, (5A)”.
- 102 In section 357TF (losses of video game trade: restriction on use of losses while video game in development) in subsection (2) for “subsection (2)” substitute “subsections (2) and (3)”.
- 103 In section 357TG (losses of video game trade: use of losses in later periods) in subsection (3) after “subsections (5)” insert “, (5A)”.
- 104 In section 357UF (losses of theatrical trade: restriction on use of losses before completion period) in subsection (2) for “subsection (2)” substitute “subsections (2) and (3)”.
- 105 In section 357UO (losses of orchestral trade: restriction on use of losses before completion period) in subsection (2) for “subsection (2)” substitute “subsections (2) and (3)”.

## PART 11

### MINOR AND CONSEQUENTIAL AMENDMENTS

#### ICTA

- 106 (1) Section 826 of ICTA (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

- 107 Schedule 18 to FA 1998 (company tax returns, assessments and related matters) is amended in accordance with paragraphs 108 to 122.
- 108 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”.
- 109 In the heading of Part 8 (claims for group relief) at the end insert “and group relief for carried-forward losses”.
- 110 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.”
- 111 In paragraph 67 (claim to be included in company tax return) omit “for group relief”.
- 112 (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.”
- 113 (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”.
- 114 (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).
- 115 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.
- 116 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.”
- 117 (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)”.
- 118 (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”.
- 119 (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.
- 120 (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”.
- 121 (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”.
- 122 (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”.

#### CAA 2001

- 123 CAA 2001 is amended as follows.
- 124 (1) Section 212Q (restrictions on capital allowance buying when there are postponed allowances) is amended as follows.
- (2) In subsection (4) after “37,” insert “45A,”.
  - (3) In subsection (6) –
    - (a) after “may not be set off” insert “by a company (“the claimant company”)
    - (b) after “CTA 2010” insert “or group relief for carried forward losses in accordance with Part 5A of CTA 2010”, and
    - (c) omit “by a company (“the claimant company”)

- 125 In section 138 (deferral of balancing charge arising when there is a disposal event in respect of a ship: limit on amount of deferral) in subsection (2)(b) after “45” insert “, 45A or 45B”.
- 126 In Schedule A1 (first-year tax credits) in paragraph 20 (list of provisions to which restriction on carrying forward losses applies) in paragraph (a) for “section 45” substitute “sections 45, 45A and 45B”.

*Energy Act 2004*

- 127 In section 27 of the Energy Act 2004 (tax exemption for NDA activities) in subsection (1)(b) for the words from “relieved” to the end substitute “ –  
(i) relieved under section 37, 45, 45A, 45B or 45F of the Corporation Tax Act 2010 (relief for trading losses),  
(ii) surrendered under Part 5 of that Act (group relief), or  
(iii) surrendered under Part 5A of that Act (group relief for carried-forward losses).”

*CTA 2009*

- 128 CTA 2009 is amended as follows.
- 129 In section 39(3) (losses of mines, quarries and other concerns) –  
(a) omit “and”, and  
(b) after “(group relief)” insert “and Part 5A of that Act (group relief for carried forward losses)”.
- 130 (1) Section 364 (group relief claims involving impaired or released consortium debts) is amended as follows.  
(2) In subsection (4) at the end insert “, and  
“group relief” means –  
(a) group relief under Part 5 of CTA 2010 (see section 97(2) of that Act), and  
(b) group relief for carried-forward losses under Part 5A of CTA 2010 (see section 188AA(4) of that Act).”  
(3) In subsection (5) for “or 144” substitute “, 144 or 188DH”.
- 131 In section 371 (group relief claims involving impaired or released consortium debts: interpretation) for the definition of “group relief” substitute –  
“group relief” has the meaning given by section 364(4).”
- 132 In section 387 (treatment of deficit on basic life assurance and general annuity business: introduction) in subsection (1) for “Chapter 16” substitute “Chapters 16 and 16A”.
- 133 (1) Section 1048 (treatment of deemed trading loss under section 1045) is amended as follows.  
(2) In subsection (1) at the end insert “(“the deemed loss-making period”)”.  
(3) In subsection (3) –  
(a) before paragraph (a) insert –  
“(za) the deemed loss-making period begins before 1 April 2017”,

- (b) in paragraph (a) for “the accounting period” substitute “the deemed loss-making period”.
- (4) After subsection (4) insert –
- “(4A) Subsection (4B) applies if –
- (a) the deemed loss-making period begins on or after 1 April 2017,
  - (b) the company –
    - (i) begins to carry on a trade in the deemed loss-making period which it continues to carry on in the following accounting period, or
    - (ii) begins to carry on a trade in an accounting period after the deemed-loss making period, and
  - (c) the trade is derived from the research and development in relation to which the relief mentioned in subsection (1) was obtained.
- (4B) In that case, so far as –
- (a) the company has not obtained relief in respect of the trading loss under any other provision, and
  - (b) the loss has not been surrendered under Part 5 of CTA 2010 (group relief) (surrender of relief to group or consortium members),
- the trading loss is to be treated as if it were a loss of that trade brought forward under the relevant provision (see subsection (4C)) to the relevant period (see subsection (4D)).
- (4C) In subsection (4B) “the relevant provision” is –
- (a) section 45A(4) of CTA 2010 if –
    - (i) the trade is not a ring fence trade within the meaning of Part 8 of CTA 2010 (see section 277 of that Act), and
    - (ii) relief under section 37 of CTA 2010 would not be unavailable by reason of section 44 of that Act for a loss (assuming there was one) made in the trade in the relevant period (see subsection (4D)), and
  - (b) section 45B(2) of CTA 2010 if either of the conditions in paragraph (a) is not met.
- (4D) In subsection (4B) and (4C) “the relevant period” means –
- (a) in a case where the company began the trade in the deemed loss-making period and continued to carry on the trade in the following accounting period, that following accounting period, and
  - (b) in a case where the company began the trade in an accounting period after the deemed loss-making period, the accounting period in which the company began the trade.”
- (5) In subsection (5) for “Subsection (4) is” substitute “Subsections (4) and (4B) are”.
- 134 In section 1056 (amount of trading loss which is “unrelieved”) –
- (a) in subsection (2)(c) after “Part 5” insert “or Part 5A”, and
  - (b) in subsection (3)(a) after “45” insert “, 45A or 45B”.

- 135 In section 1062(2) (restriction on losses carried forward where R&D tax credit claimed) –  
(a) for “section 45” substitute “sections 45, 45A and 45B”, and  
(b) omit “trading” in the second place that word occurs.
- 136 In section 1116 (meaning of “the actual reduction in tax liability”) in subsection (4) after “Part 5” insert “or Part 5A”.
- 137 In section 1153 (amount of loss which is “unrelieved”) –  
(a) in subsection (1)(c) after “Part 5” insert “or Part 5A”, and  
(b) in subsection (2)(a) after “45” insert “, 45A, 45B”.
- 138 In section 1158(2) (restriction on losses carried forward where land remediation tax credit claimed) –  
(a) for “section 45” substitute “sections 45, 45A and 45B”, and  
(b) omit “trading” in the second place that word occurs.
- 139 In section 1201 (film tax credit claimable if company has surrenderable loss) in subsection (2B)(b) after “45” insert “or 45B”.
- 140 In section 1216CH (television tax credit claimable if company has surrenderable loss) in subsection (4)(b) after “45” insert “or 45B”.
- 141 In section 1217CH (video game tax credit claimable if company has surrenderable loss) in subsection (4)(b) after “45” insert “or 45B”.
- 142 In section 1217KA (theatre tax credits: amount of surrenderable loss) in subsection (3)(b) after “45” insert “or 45B”.
- 143 In section 1217RH (orchestra tax credits: amount of surrenderable loss) in subsection (3)(b) after “45” insert “or 45B”.
- 144 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*

- 145 CTA 2010 is amended as follows.
- 146 (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.”
- 147 (1) Section 17 (interpretation of Chapter 4 of Part 2) is amended as follows.  
(2) In subsection (2) (meaning of “carried-back amount”) –

- (a) after paragraph (a) insert –  
     “(aa) an amount carried back under section 45F (relief for terminal trade losses),”, and  
 (b) in paragraph (c) after “459(1)(b)” insert “or 463B(1)(b)”.
- (3) In subsection (3) (meaning of “carried-forward amount”) –  
 (a) in paragraph (a) after “forward of” insert “pre-1 April 2017”,  
 (b) after paragraph (a) insert –  
     “(aa) an amount carried forward under section 45A (carry forward of post 1-April 2017 trade loss against total profits),  
     (ab) an amount carried forward under section 45B (carry forward of post-1 April 2017 trade loss against subsequent trade profits),”, and  
 (c) in paragraph (i) after “457(3)” insert “, 463G(6) or 463H(4)”.
- 148 (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,”.
- 149 In section 47 (registered societies), in subsection (1), for “section 45” substitute “sections 45 and 45B”.
- 150 In section 53 (leasing contracts and company reconstructions), in subsection (1)(e), for “or 45” substitute “, 45, 45A or 45B”.
- 151 In section 54 (non-UK resident company: receipts of interest, dividends or royalties), in subsection (2), for “or 45” substitute “, 45, 45A or 45B”.
- 152 (1) Section 56 (restriction on reliefs for limited partners) is amended as follows.
- (2) In subsection (2) –  
 (a) in paragraph (a) after “37” insert “or 45A”,  
 (b) omit “or” at the end of paragraph (a), and  
 (c) after paragraph (b) insert “, or  
     (c) under Part 5A (group relief for carried-forward losses)”.
- (3) In subsection (4) –  
 (a) after “37” insert “or 45A”, and  
 (b) after “5” insert “or 5A”.
- 153 (1) Section 59 (restriction on relief for members of LLPs) is amended as follows.

- (2) In subsection (2) –
- (a) in paragraph (a) after “37” insert “or 45A”,
  - (b) omit “or” at the end of paragraph (a), and
  - (c) after paragraph (b) insert “, or  
(c) under Part 5A (group relief for carried-forward losses)”.
- (3) In subsection (4) –
- (a) after “37” insert “or 45A”, and
  - (b) after “5” insert “or 5A”.
- 154 (1) Section 61 (unrelieved losses of member of LLP brought forward) is amended as follows.
- (2) In subsection (1), in the words before paragraph (a), for “This section” substitute “Subsection (2)”.
- (3) After subsection (2) insert –
- “(2A) Subsection (2B) applies if –
- (a) a company (“the member company”) carries on a trade as a member of an LLP at a time during an accounting period (“the current period”), and
  - (b) as a result of section 59, relief under section 45A or Part 5A (group relief for carried forward losses) has not been given for an amount of loss made in the trade by the member company as a member of the LLP in a previous accounting period.
- (2B) For the purposes of determining the relief under section 45A or Part 5A to be given to any company, the amount of loss is treated as having been made by the member company in the current period so far as it is not excluded by subsection (3) or (4).”
- (4) In subsection (3) –
- (a) after “37” insert “or 45A”, and
  - (b) after “Part 5” insert “or Part 5A”.
- 155 (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).”
- 156 (1) Section 95 (write-off of government investment: meaning of “carry forward losses”) is amended as follows.
- (2) In subsection (1), in Type 1, after “45,” insert “45A, 45B,”.
  - (3) In subsection (2) after “(group relief)” insert “or Part 5A (group relief for carried forward losses)”.
- 157 In section 99 (surrendering of losses and other amounts) in subsection (1)(c) after “16” insert “or 16A”.
- 158 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.”
- 159 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)”.
- 160 In section 189(2) (relief for qualifying charitable donations) at the end insert “and group relief for carried-forward losses”.
- 161 In section 269DA (surcharge on banking companies) in subsection (2) (calculation of “surcharge profits”) –
- (a) in the formula, after “NBGR+” insert “NBGRCF+”, and
  - (b) after the definition of “NBGR” insert –
 

“NBGRCF” is the amount (if any) of non-banking group relief for carried-forward losses that is given in determining those taxable total profits (see section 269DBA);”.
- 162 After section 269DB insert –
- “269DBA Meaning of “non-banking group relief for carried-forward losses”**
- (1) In section 269DA(2) “non-banking group relief for carried-forward losses” means group relief for carried-forward losses that relates to

losses or other amounts that the surrendering company has for a surrender period in relation to which it is not a banking company.

- (2) In this section “surrendering company” and “surrender period” have the same meaning as in Part 5A (see section 188FD).”

163 (1) Section 269DC (surcharge on banking companies: meaning of “non-banking or pre-2016 loss relief) is amended as follows.

(2) In subsection (3)(b) –

- (a) after “45” insert “, 45A or 45B”, and  
(b) omit “trade” in the second place that word occurs.

(3) In subsection (4)(b) –

- (a) after “457” insert “, 463G or 463H”, and  
(b) omit “non-trading”.

(4) Omit subsection (5).

164 In section 385 (sales of lessors: no carry back of loss against the income) in subsection (2) after “periods)” insert “or section 45F (relief for terminal trade losses)”.

165 In section 398D (sales of lessors: restrictions on use of losses etc) after subsection (2) insert –

“(2A) Group relief for carried-forward losses is not to be given under Part 5A against so much of the total profits of A as are attributable to the carrying on of the relevant activity.”

166 In section 427 (sales of lessors: no carry back of loss against the income) in subsection (2) after “periods)” insert “or section 45F (relief for terminal trade losses)”.

167 (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 “of” insert “pre-1 April 2017”,  
(ii) after that paragraph 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 “set off” insert “ –  
(a) ”, and

- (ii) at the end insert “, or  
 “(b) by way of 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).”

168 In section 599 (real estate investment trusts: calculation of profits) after subsection (8) insert –

- “(9) No account is to be taken of Part 7ZA of this Act (restrictions on obtaining certain deductions in respect of carried-forward losses).”

169 In section 601 (availability of group reliefs to a group UK REIT) in subsection (2) –

- (a) omit “and” at the end of paragraph (f), and  
 (b) after paragraph (g) insert “, and  
 “(h) Part 5A of this Act (group relief for carried-forward losses)”.

170 In section 705E (shell companies: restriction on relief for non-trading loss on intangible fixed assets), in subsection (3)(b), for “debit of” substitute “loss on intangible fixed assets for”.

171 In section 705F(2) (shell companies: apportionment of amounts), in column 1 of the table –

- (a) in row 4, after “457(1)” insert “, 463G or 463H”,  
 (b) in row 4, omit “basic rule for deficits:”,  
 (c) in row 5, omit from “, but excluding” to the end, and  
 (d) in row 6, omit from “and treated” to the end.

172 In section 730C (disallowance of deductible amounts: relevant claims) in subsection (2) (meaning of “relevant claim”) –

- (a) omit “or” at the end of paragraph (a),  
 (b) after paragraph (a) insert –  
 “(aa) section 45A (carry forward of post-1 April 2017 trade loss against total profits),” and  
 (c) after paragraph (b) insert “, or  
 (c) Chapter 3 of Part 5A (group relief for carried-forward losses)”.

173 (1) Section 888 (restrictions on leasing partnership losses) is amended as follows.

- (2) In subsection (3) after “37” insert “or 45A”.
- (3) In subsection (4)–
- (a) after “set off” insert “–
  - (a) ”, and
  - (b) at the end insert “, or
  - (b) by way of group relief for carried-forward losses in accordance with Chapter 2 of Part 5A (surrender of company’s carried-forward losses etc)”.
- (4) In subsection (6) in the definition of “relevant loss relief provision” –
- (a) in paragraph (a) after “of” insert “pre-1 April 2017”, and
  - (b) after that paragraph insert –
    - “(ab) section 45B (carry forward of post-1 April 2017 trade loss against subsequent trade profits),”.
- 174 (1) Schedule 4 (index of defined expressions) is amended as follows.
- (2) At the appropriate places insert –

“the claimant company (in Part 5A)	section 188FD”
“the claim period (in Part 5A)	section 188FD”
“company (in Part 5A)	section 188FD”
“group relief for carried-forward losses”	section 188AA(4)”
“holding company (in Part 5A)	section 188FC(2)”
“member of a consortium (in Part 5A)	section 153(2) (applied by section 188FB)”
“member of the same group of companies (in Part 5A)	section 152 (applied by section 188FB)”
“owned by a consortium (in Part 5A)	section 153(1) and (3) (applied by section 188FB)”
“profits (in Part 5A)	section 188FD”
“the specified loss-making period” (in Part 5A)	section 188FD”
“75% subsidiary (in Part 5A)	section 151 (applied by section 188FB)”
“the surrenderable amounts (in Part 5A)	section 188FD”
“the surrendering company (in Part 5A)	section 188FD

“the surrender period (in Part 5A)	section 188FD”
“trade (in Part 5A)	section 188FD”
“trading company (in Part 5A)	section 188FC(1)”

- (3) In the entry for “75% subsidiary (except in Part 5)” after “Part 5” insert “and Part 5A”.

### TIOPA 2010

- 175 TIOPA 2010 is amended as follows.
- 176 In section 54 (double taxation relief by way of credit: non-trading debits on loan relationships) in subsection (7) –
- (a) in paragraph (b) of the definition of “carry-back claim”, after “459(1)(b)” insert “or 463B(1)(b)”,
  - (b) in paragraph (b) of the definition of “carry-forward provision”, after “457(1)” insert “, 463G(5) or 463H(4)”, and
  - (c) in paragraph (b) of the definition of “current-year provision or claim”, after “459(1)(a)” insert “or 463B(1)(a)”.
- 177 In section 55 (double taxation relief by way of credit: current year’s non-trading deficits on loan relationships) –
- (a) in subsection (4)(b), after “459(1)(a)” insert “or 463B(1)(a)”, and
  - (b) in subsection (5), for “or 459(1)(a)” substitute “, 459(1)(a) or 463B(1)(a)”.
- 178 In section 156(1) (meaning of “losses” in Part 4) –
- (a) in paragraph (e) after “Chapter 16” insert “or Chapter 16A”,
  - (b) omit “or” at the end of paragraph (f), and
  - (c) after paragraph (g) insert “, or
    - (h) Part 5A of CTA 2010 (group relief for carried-forward losses).”
- 179 In section 3711F (determining the profits of a CFC’s qualifying loan relationship), in paragraph (b) of step 5, after “16” insert “or Chapter 16A”.
- 180 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.
- (3) But if section 269ZX of CTA 2010 (increase of deductions allowance where provision for onerous lease reversed) applies in relation to the relevant accounting period, the reference in subsection (2) to “nil” is to be read as a reference to an amount equal to the increase provided for by subsection (3) of that section.”

- 181 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”.

*F (No. 3) A 2010*

- 182 (1) In paragraph 10 of Schedule 9 to F(No.3)A 2010 (interest), the new Part A1 to be inserted into Schedule 54 to FA 2009 is amended as follows.
- (2) In paragraph A1 (interest on tax repaid as a result of carrying back a non-trading deficit on company's loan relationships) –
- (a) in sub-paragraph (1)(c) for “or 459(1)(b)” substitute “, 459(1)(b) or 463B(1)(b)”, and
  - (b) in sub-paragraph (2) for “or 459(1)(b)” substitute “, 459(1)(b) or 463B(1)(b)”.
- (3) After paragraph A2 insert –
- “A2A(1) This paragraph applies where –
- (a) a company has profits arising in an accounting period (“the earlier period”),
  - (b) the company ceases to carry on a trade in a later accounting period (“the later period”),
  - (c) on a claim under section 45F of CTA 2010 (terminal losses), the whole or any part of a loss incurred in the trade has been set off for the purposes of corporation tax against the profits of the earlier period,
  - (d) the earlier period does not fall wholly within the period of 12 months immediately preceding the later period, and
  - (e) 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 period.
- (2) So much of the repayment mentioned in sub-paragraph (1)(e) as falls to be made as a result of the claim under section 45F does not carry repayment interest.
- (3) But sub-paragraph (2) does not apply (and, accordingly, the amount mentioned in that sub-paragraph carries repayment interest) after the expiry of 9 months from the end of the later period.”

- (4) In paragraph A3 (interest on tax repaid as a result of a claim under section 77 of TIOPA 2010) in sub-paragraph (4) after “A4” insert “or A5”.
- (5) After paragraph A4 insert –
- “A5 (1) This paragraph applies where –
- (a) a company has profits arising in an accounting period (“the middle period”),
  - (b) the company ceases to carry on a trade in a later accounting period (“the later period”),
  - (c) on a claim under section 45F of CTA 2010 (terminal losses), the whole or any part of a loss incurred in the trade has been set off for the purposes of corporation tax against the profits of the middle period,
  - (d) the middle period does not fall wholly within the period of 12 months immediately preceding the later period,
  - (e) as a result of the claim under section 45F, an excess or increased excess arises in the middle period as described in section 72 of TIOPA 2010 (amounts of unrelieved foreign tax),
  - (f) on a claim under section 77 of that Act, credit for the whole or any part of the excess is allowed against corporation tax in respect of an accounting period before the middle period (“the earlier period”) and,
  - (g) 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 period.
- (2) So much of the repayment mentioned in sub-paragraph (1)(g) as falls to be made as a result of the claim under section 77 does not carry repayment interest.
- (3) But sub-paragraph (2) does not apply (and, accordingly, the amount mentioned in that sub-paragraph carries repayment interest) after the expiry of 9 months from the end of the later period.”

#### FA 2012

- 183 FA 2012 is amended as follows.
- 184 In section 78 (meaning of expressions used in section 76), in subsection (5), for the words from “means” to the end substitute “means any of the following –
- (a) a BLAGAB trade loss of the company for the accounting period in question, so far as relief is given for the loss under –
    - (i) section 37 of CTA 2010 (relief for trade losses against total income), as applied by section 123, or
    - (ii) Chapter 4 of Part 5 of that Act (group relief), as applied by section 125;
  - (b) an amount deducted under section 124B (relief for excess carried forward post-1 April BLAGAB trade losses) from the company’s total profits of the accounting period in question;
  - (c) an amount of a BLAGAB trade loss of the company relieved under Chapter 3 of Part 5A of CTA 2010 (group relief for

- carried-forward losses) if the surrender period (see section 188BB(7)) to which the claim relates is the accounting period in question.”
- 185 In section 93 (minimum profits test), in subsection (2), in the words after paragraph (b), for “and 124” substitute “, 124, 124A and 124C”.
- 186 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,”.
- 187 In section 125 (group relief), at the end insert –
- “(4) For provision about the application of Part 5A of CTA 2010 (group relief for carried-forward losses) in relation to BLAGAB trade losses see subsections (3) to (5) of section 188BB of that Act.”
- 188 (1) Section 126 (restrictions in respect of non-trading deficit) is amended as follows.
- (2) After subsection (1) insert –
- “(1A) A loss falls within subsection (1B) so far as it –
- (a) would (apart from that subsection) be available for relief under section 124B (excess carried forward post-1 April 2017 losses: relief against total profits), and
  - (b) arose in an accounting period for which the insurance company has a relevant non-trading deficit.
- (1B) A loss (or amount of a loss) falling within this subsection is available for relief under section 124B only so far as it exceeds the amount of that relevant non-trading deficit.
- (1C) A loss falls within subsection (1D) so far as it –
- (a) is an amount which a company (“the surrendering company”) may surrender by virtue of section 188BB(4) (surrender of carried-forward BLAGAB trade losses), and
  - (b) arose in an accounting period for which the surrendering company has a relevant non-trading deficit.
- (1D) A loss (or amount of a loss) falling within this subsection is available for relief under Chapter 3 of Part 5A of CTA 2010 (claims for group relief) only so far as it exceeds the amount of that relevant non-trading deficit.
- (1E) For the purposes of subsections (1A) and (1C) it is to be assumed (where relevant) that in previous accounting periods losses which arose earlier have been utilised before losses which arose later.”
- (3) In subsection (2) –
- (a) for “The reference” substitute “In this section references”;
  - (b) for “is a reference” substitute “are”.
- 189 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 12

### COMMENCEMENT ETC

#### *Parts 1 to 9 and 11*

- 190 (1) The amendments made by Parts 1 to 9 and 11 of this Schedule have effect in relation to accounting periods beginning on or after 1 April 2017.
- (2) For the purposes of those amendments, 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) where it is necessary to apportion an amount for the straddling period to the two separate accounting periods, 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.
- (3) But sub-paragraph (2)(b) is to be ignored if paragraph 191 or 192 applies.
- 191 (1) This paragraph applies if –
- (a) an accounting period of a company (“the straddling period”) is treated as two separate accounting periods under paragraph 190(2)(a),
  - (b) it is necessary to apportion an amount (“the amount concerned”) for the straddling period to the two separate accounting periods, and
  - (c) the amount concerned is either –
    - (i) an amount chargeable to corporation tax which would have been less but for Part 10 of TIOPA 2010 (corporate interest restriction), or
    - (ii) an amount in respect of which corporation tax relief is available which would have been greater but for Part 10 of TIOPA 2010.
- (2) The amount concerned is to be apportioned as follows –
- Step 1*  
 Determine what the amount concerned would have been but for Part 10 of TIOPA 2010 (“the notional amount”).
- Step 2*  
 Determine what amount of the notional amount would have been apportioned to the first separate accounting period had paragraph 190(2)(b) applied (“the notional apportioned amount”).

If the notional apportioned amount is less than the amount concerned, proceed with steps 3 and 4.

If the notional apportioned amount is equal to or greater than the amount concerned, the whole of the amount concerned is to be apportioned to the first separate accounting period.

*Step 3*

Take so much of the amount concerned as is equal to the notional apportioned amount and apportion it to the first accounting period.

*Step 4*

Take the remainder of the amount concerned and apportion it to the second separate accounting period.

- 192 (1) This paragraph applies if—
- (a) an accounting period of a company (“the straddling period”) is treated as two separate accounting periods under paragraph 190(2)(a),
  - (b) it is necessary to apportion an amount (“the amount concerned”) for the straddling period to the two separate accounting period,
  - (c) the amount concerned is an amount chargeable to corporation tax, and
  - (d) the amount concerned would not have arisen but for Part 10 of TIOPA 2010 (whether or not an amount in respect of which corporation tax relief would have been available would have arisen instead).
- (2) The whole of the amount concerned is apportioned to the second separate accounting period.

#### *Part 10*

- 193 Section 5(4) to (6) of CT(NI)A 2015 (commencement) has effect as if references to Part 8B of CTA 2010 were to that Part as amended by Part 10 of this Schedule.

#### *Transitional provision*

- 194 (1) An amount of a non-trading deficit from a company’s loan relationships which is carried forward under section 463H of CTA 2009 is to be disregarded for the purposes of section 730F of CTA 2010 (as amended by paragraph 69(4)), unless it is a post-13 July 2017 amount.
- (2) An amount of a non-trading deficit from a company’s loan relationships which is deducted under section 463H(5) of CTA 2009 is to be disregarded for the purposes sections 188DD and 188ED of CTA 2010, unless it is a post-13 July 2017 amount.
- (3) For the purposes of this paragraph an amount of a non-trading deficit from a company’s loan relationships (“the deficit amount”) is a post-13 July 2017 amount—
- (a) if the deficit period begins on or after 13 July 2017 or,
  - (b) (where the deficit period is one that begins before, and ends on or after 13 July 2017 (a “straddling deficit period”)), so far as the deficit is apportioned under sub-paragraphs (4) and (5) to the part of the deficit period that begins with 13 July 2017.

- (4) For the purposes of sub-paragraph (3)(b) –
  - (a) a straddling deficit period is to be treated as consisting of two parts, namely the part that precedes, and the part that begins with, 13 July 2017,
  - (b) the deficit amount is to be apportioned to those parts (see sub-paragraph (5)).
- (5) The apportionment is to be made –
  - (a) in accordance with section 1172 of CTA 2010 (time basis), or
  - (b) if that method would produce a result that is unjust or unreasonable, on a just and reasonable basis.
- (6) In this paragraph “deficit period” is to be interpreted in accordance with section 463A(2) of CTA 2009.