



Corporation Tax Act 2010

2010 CHAPTER 4

PART 14

CHANGE IN COMPANY OWNERSHIP

[^{F1}CHAPTER 5A

SHELL COMPANIES: RESTRICTIONS ON RELIEF

Textual Amendments

- F1** Pt. 14 Ch. 5A inserted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 13 para. 1\(3\)](#)

Introduction

705A Introduction to Chapter

- (1) This Chapter applies where there is a change in the ownership of a shell company.
- (2) In this Chapter—
 - “the change in ownership” means the change in ownership mentioned in subsection (1);
 - “the company” means the company mentioned in subsection (1);
 - “shell company” means a company that—
 - (a) is not carrying on a trade,
 - (b) is not a company with investment business, and
 - (c) is not carrying on a UK property business.

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705B 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) The amounts for the actual accounting period in column 1 of the table in section 705F(2) are apportioned to the two notional accounting periods in accordance with section 705F.
- (4) In this Chapter “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

Restrictions on relief

705C 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 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.

705D Restriction on carry forward of non-trading deficit from loan relationships

- (1) This section has effect for the purpose of restricting the carry forward of a non-trading deficit from the company's loan relationships under Part 5 of CTA 2009 (loan relationships).
- (2) Subsection (3) applies if the non-trading deficit in column 1 of row 4 of the table in section 705F(2) is apportioned in accordance with section 705F to the first notional accounting period.
- (3) None of that non-trading deficit may be carried forward to—
 - (a) the accounting period beginning immediately after the change in ownership, or

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- (b) any subsequent accounting period.

705E Restriction on relief for 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 non-trading loss on intangible fixed assets.
- (2) Relief under section 753 of CTA 2009 against the total profits of the same accounting period is available only in relation to each of the notional accounting periods considered separately.
- (3) A non-trading loss on intangible fixed assets for an accounting period beginning before the change in ownership may not be—
 - (a) carried forward under section 753(3) of that Act to an accounting period ending after the change in ownership, or
 - (b) treated under that section as if it were a non-trading [^{F2}loss on intangible fixed assets for] that period.

Textual Amendments

- F2** Words in s. 705E(3)(b) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 4 para. 170

Apportionment of amounts

705F Apportionment of amounts

- (1) This section applies for the purposes of this Chapter.
- (2) Any amount for the actual accounting period in column 1 of the following table is to be apportioned to the two notional accounting periods in accordance with the corresponding method of apportionment in column 2 of the table.

<i>Row</i>	<i>1. Amount to be apportioned</i>	<i>2. Method of apportionment</i>
<i>1</i>	The amount for the actual accounting period of any adjusted non-trading profits from the company's loan relationships (see section 705G(2)).	Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods.
<i>2</i>	The amount for the actual accounting period of any adjusted non-trading deficit from the company's loan relationships (see section 705G(3)).	Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods.
<i>3</i>	The amount of any non-trading debit that falls to be brought into account for the actual accounting period for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of any debtor relationship of the company.	(1) If condition A in section 705G(4) is met, apportion the amount in column 1 by reference to the time of accrual of the amount to which the debit relates.

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| | | (2) If condition B in section 705G(5) is met, apportion the amount in column 1 to the first notional accounting period. |
| 4 | The amount of any non-trading deficit carried forward to the actual accounting period under section 457(1) ^{F3} , 463G or 463H] of CTA 2009 (^{F4} ... carry forward to accounting periods after deficit period). | Apportion the whole of the amount in column 1 to the first notional accounting period. |
| 5 | The amount of any non-trading credits or debits in respect of intangible fixed assets that fall to be brought into account for the actual accounting period under section 751 of CTA 2009 (non-trading gains and losses) ^{F5} | Apportion to each notional accounting period the credits or debits that would fall to be brought into account in that period if it were a period of account for which accounts were drawn up in accordance with generally accepted accounting practice. |
| 6 | The amount of any non-trading loss on intangible fixed assets carried forward to the actual accounting period under section 753(3) of CTA 2009 ^{F6} | Apportion the whole of the amount in column 1 to the first notional accounting period. |
| 7 | Any other amounts by reference to which the profits or losses of the actual accounting period would (but for this Chapter) be calculated. | Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods. |

(3) If any method of apportionment in column 2 of the table in subsection (2) would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

(4) For the meaning of certain expressions used in this section, see section 705G.

Textual Amendments

- F3** Words in s. 705F(2) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(a)**
- F4** Words in s. 705F(2) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(b)**
- F5** Words in s. 705F(2) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(c)**
- F6** Words in s. 705F(2) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(d)**

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705G Meaning of certain expressions in section 705F

- (1) This section applies for the purposes of the table in section 705F(2).
- (2) For the purposes of column 1 of row 1 of the table, the amount for the actual accounting period of any adjusted non-trading profits from the company's loan relationships is the amount which would be the amount of the profits from those relationships chargeable under section 299 of CTA 2009 (charge to tax on non-trading profits) if, in calculating that amount, amounts for that period within column 1 of row 3 or 4 of the table were disregarded.
- (3) For the purposes of column 1 of row 2 of the table, the amount for the actual accounting period of any adjusted non-trading deficit from the company's loan relationships is the amount which would be the amount of the non-trading deficit from those relationships if, in calculating that amount, amounts for that period within column 1 of row 3 or 4 of the table were disregarded.
- (4) Condition A is that—
 - (a) the amount in column 1 of row 3 of the table is determined on an amortised cost basis of accounting, and
 - (b) none of the following provisions applies—
 - (i) section 373 of CTA 2009 (late interest treated as not accruing until paid in some cases),
 - (ii) section 407 of that Act (postponement until redemption of debits for connected companies' deeply discounted securities), or
 - (iii) section 409 of that Act (postponement until redemption of debits for close companies' deeply discounted securities).
- (5) Condition B is that—
 - (a) the amount in column 1 of row 3 of the table is determined on an amortised cost basis of accounting, and
 - (b) any of the provisions mentioned in subsection (4)(b) applies.]

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 5A.