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SCHEDULES.

SCHEDULE 15

MISCELLANEOUS ADAPTATIONS OF INCOME TAX ACTS FOR CORPORATION TAX.

PART II

CONTINUITY OF LOSS RELIEF AND OTHER MATTERS.

Trade losses.

- 20 (1) For purposes of section 341 of the Income Tax Act 1952 the question whether a company has sustained a loss in a trade in the year 1964-65 or the year 1965-66, and any question as to the amount of a loss so sustained, shall not be affected by the company being within the charge to corporation tax in respect of the trade for the whole or part of that year, but subject to sub-paragraph (2) below, a company shall not be entitled to relief by virtue of that section except against income tax for years of assessment before the year 1966-67, and section 15(3) of the Finance Act 1953 and section 20 of the Finance Act 1954 shall apply accordingly in relation to claims by a company for losses sustained in, but not after, the year 1964-65.
- (2) Where in the year 1965-66 a company is entitled to claim relief under section 341 of the Income Tax Act 1952 in respect of any loss (including any amount treated as a loss under section 20 of the Finance Act 1954), the company may claim that such part, if any, of that loss as cannot be relieved against income tax for that year shall be deducted or set off against profits arising in the year 1965-66, otherwise than from any trade carried on by the company, being profits in respect of which the company would otherwise be chargeable to corporation tax, and in so far as the loss arose in the year 1965-66 and cannot be so deducted or set off against profits arising in that year, that it shall be deducted from or set off against any such profits so arising in the year 1966-67 ; and up to the amount of the deduction or set off those profits shall be excluded accordingly from any assessment to corporation tax (the relief in any year of assessment being given as far as may be against profits of an earlier, rather than the profits of a later, accounting period).
- (3) Relief in respect of the same matter shall not be given both in a manner authorised under this paragraph and in some other manner.
- 21 (1) Where a company has before the year 1966-67 incurred a loss in a trade carried on by it, such part, if any, of that loss as but for this Act might have been carried forward to that year under section 342 of the Income Tax Act 1952 may be dealt with under section 58(1) or (7) of this Act as if it were a loss incurred by the company while within the charge to corporation tax in respect of the trade, but incurred in an accounting period ending at the time when the company in fact comes within the charge to tax in respect of the trade.

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- (2) This paragraph shall apply to any amount which by virtue of section 345 of the Income Tax Act 1952, or of paragraph 3 of Schedule 3 to the Finance Act 1954, might be dealt with under section 342 as a loss incurred by a company in a trade as if that amount were a loss so incurred ; but where section 345 applies by virtue of section 443(1)(b) of that Act to any amount of share interest or loan interest paid by a registered industrial and provident society, this sub-paragraph shall not have effect except in relation to so much of the said amount as represents share interest or loan interest paid before the society comes within the charge to corporation tax in respect of its trade.

Losses within Case VI.

- 22 Where a company resident in the United Kingdom has incurred a loss in respect of which relief might be given under section 346 of the Income Tax Act 1952 against income tax for the year 1965-66 or an earlier year of assessment, then in so far as relief cannot be so given the loss may be dealt with under section 60 of this Act as if it had been incurred in the accounting period of the company beginning first after the date when the loss arose; but except in accordance with this paragraph relief shall not be given against corporation tax in respect of a loss if relief can be given in respect of it under the said section 346.

Expenses of management.

- 23 (1) No deduction shall be made under section 57 of this Act (or under that section as applied by section 69) in respect of sums disbursed as expenses of management in or before the year 1965-66, or in respect of any amounts which are by virtue of any enactment to be treated as sums so disbursed, in so far as relief can be given in respect thereof under section 425 of the Income Tax Act 1952 or under that section as applied by any other enactment; but in so far as relief cannot be so given, the amount unrelieved shall be treated for purposes of section 57 or 69 of this Act as an amount disbursed as expenses of management for the first accounting period for which the company is within the charge to corporation tax in respect of the business.
- (2) Where sub-paragraph (1) above has effect the company may by notice in writing given not later than twelve months after the end of the accounting period specified in the notice elect to treat such an amount of sums disbursed as expenses of management as is specified in the notice (being an amount not exceeding the total of the sums so disbursed in the said accounting period) as an amount unrelieved for the purpose of sub-paragraph (1), and where such a notice is given the amount so treated shall not be available for relief under section 425 of the Income Tax Act 1952.

Terminal losses.

- 24 (1) Where a company carrying on a trade at the beginning of the year 1966-67 ceases to do so within four years of coming within the charge to corporation tax in respect of it, section 59 of this Act shall apply, with any necessary adaptations, so as to enable relief to be given under that section against income tax for years of assessment before 1966-67 in so far as relief cannot be given against corporation tax, but so that—
- (a) where relief is given against income tax, section 3 8(4) of the Finance Act 1954 shall apply as it applies in relation to the corresponding relief under that section; and

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- (b) where section 59 of this Act has effect by virtue of this paragraph to reduce the profits of any period and income tax for more than one year of assessment has been computed wholly or partly by reference to those profits, such adjustment shall be made as may be necessary to prevent relief being given more than once.
- (2) Where sub-paragraph (1) above has effect, and before the year 1966-67 there has been in the trade a relevant change within the meaning of Schedule 3 to the Finance Act 1954 (company reconstructions), section 59 of this Act and that sub-paragraph shall apply so as to enable a person carrying on the trade before the relevant change to be given relief in the like circumstances and to the like extent, as nearly as may be, as he might have been given relief under section 18 of the Finance Act 1954 by virtue of paragraph 5 of Schedule 3 to that Act.

Continuation of elections etc.

- 25 (1) Where before the year 1966-67 a company has for purposes of income tax made any election or done any other act of a description which—
- (a) would have had continuing effect for income tax for that year or, if revocable, would have had continuing effect unless revoked;
- (b) may also be made for corporation tax ;
- then that election or act shall for corporation tax be valid and effectual as if duly made or done for that tax, and have effect from the beginning of the first accounting period for which the company is within the charge to corporation tax in respect of the matter in question.
- (2) Accordingly where any such election or act is required to be made or done, if at all, at a particular time, no provision of this Act amending the enactment under which it is made or done so as to specify a different time in relation to corporation tax (whether by substituting a reference to the first accounting period for a reference to the first year of assessment in which anything takes place, or otherwise) shall be taken, unless the contrary intention appears, to invalidate any election or act duly made or done nor, where the time has passed for making or doing it for income tax, to extend the time in relation to corporation tax ; but nothing in this paragraph shall take away any right of revocation or variation.
- (3) This paragraph shall in particular apply—
- (a) to any election under section 125 of the Income Tax Act 1952 to be assessed in respect of woodlands under Schedule D ;
- (b) to any election for the herd basis under Schedule 20 to that Act;
- (c) to any election under paragraph 4 of Schedule 14 to that Act about capital allowances and charges after certain sales ;
- (d) to any election under paragraph 7 of Schedule 4 to the Finance Act 1963 for land to be treated as a single estate for the purpose of deductions under Case VIII of Schedule D.