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SCHEDULES

SCHEDULE 9

STOCK RELIEF

PART III

CORPORATION TAX

Entitlement to relief

- 12 (1) Where a company carries on a trade in respect of which it is within the charge to corporation tax under Case I of Schedule D it shall, subject to the provisions of this Schedule, be entitled to relief under this paragraph in respect of a period of account if—
- (a) there is an increase in the all stocks index over that period; and
 - (b) the value of its trading stock at the end of the preceding period of account exceeded £2,000.
- (2) The relief shall be calculated by reference to the amount by which the value of the trading stock referred to in sub-paragraph (1)(b) above exceeded £2,000 and, subject to sub-paragraph (4) below, shall be equal to such percentage of that amount as corresponds to the percentage increase in the all stocks index over the period referred to in sub-paragraph (1)(a) above.
- (3) A company shall not be entitled to relief under this paragraph unless a claim for the relief is made within two years after the end of the period of account in respect of which the relief is claimed.
- (4) A company may, in making a claim for relief under this paragraph in respect of any period of account, specify an amount of relief less than that available under sub-paragraph (2) above and, if it does so, the relief to which it is entitled under this paragraph in respect of that period shall be the amount specified in the claim.

Recovery of relief on cessation of trade etc.

- 13 (1) Where during or at the end of a period of account a company carrying on a trade ceases to do so, or ceases to be within the charge to corporation tax under Case I of Schedule D in respect of the trade, then, subject to paragraph 20 below—
- (a) it shall not be entitled to relief in respect of that period; and
 - (b) a charge by way of recovery of relief shall be made on the company on an amount equal to the unrecovered past relief allowed to it for that trade.
- (2) Sub-paragraph (1) above shall apply also where the scale of the activities of the trade for any period of account is negligible in comparison with their scale for

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any previous period of account beginning not more than six years before the first-mentioned period.

- (3) Where during or at the end of a period of account a company carrying on a trade ceases (by virtue of ceasing to be resident in the United Kingdom) to be within the charge to corporation tax under Case I of Schedule D in respect of a part of the trade, it shall be treated for the purposes of this Schedule as if that part were a separate trade carried on by it in that period; and all necessary apportionments between the two parts of the trade (including the apportionment of unrecovered past relief allowed for that trade) shall be made by reference to the respective values of the trading stock of each part immediately after that event
- 14 (1) Where there is a change of ownership of a company and section 483 of the Taxes Act applies so as to restrict the carrying forward of losses incurred before the change, then relief to which those disallowed losses are attributable shall, although unrecovered in periods of account ending before the change of ownership, nevertheless be disregarded in ascertaining the amount of unrecovered past relief in later periods of account.
- (2) Relief to which disallowed losses are attributable is that which was not given effect in the period of account or base period for which it was allowed or in a subsequent period of account.
- (3) For the purposes of sub-paragraph (2) above—
- (a) relief under Part II of Schedule 5 to the Finance Act 1976 ; and
 - (b) Schedule 10 relief as defined in paragraph 18 of that Schedule,
- is assumed to be given effect before capital allowances and profits or gains are assumed to be set against losses attributable to that relief before other losses; and any question whether effect has been given to relief under this Part of this Schedule shall be determined as for the purposes of paragraph 17(1) below. Section 483(5) of the Taxes Act has effect subject to this sub-paragraph.
- (4) For the purpose of ascertaining the extent to which relief to which disallowed losses are attributable has been recovered in periods of account ending before the change of ownership, it shall be assumed—
- (a) that relief within sub-paragraph (3)(a) or (b) above is re covered from earlier periods before later periods and that effect is given to that relief from earlier periods before later periods;
 - (b) that relief under this Part of this Schedule is recovered from later periods before earlier periods and that effect is given to that relief from later periods before earlier periods.
- 15 (1) Where an amount of government investment in a body corporate is set off under section 48 of this Act against that body's losses as at the end of an accounting period, being losses within subsection (3)(a) of that section, then—
- (a) if the whole amount of those losses is extinguished by the set off sub-paragraph (2) below shall have effect in relation to the relief to which that amount is attributable; and
 - (b) if a lesser amount of those losses is so extinguished, that sub-paragraph shall have effect in relation to the relief to which that lesser amount is attributable.
- (2) The relief referred to in sub-paragraph (1) above shall, although unrecovered in periods of account ending in or before the accounting period there mentioned,

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nevertheless be disregarded in ascertaining the amount of unrecovered past relief in later periods of account.

- (3) Subject to sub-paragraph (4) below, relief to which any amount of extinguished losses is attributable shall be identified in accordance with paragraph 14(2) to (4) above as in the case of relief to which disallowed losses are attributable.
- (4) For the purposes of sub-paragraph (1)(b) above
 - (a) the set off shall be treated as extinguishing the loss of an earlier accounting period before that of a later accounting period; and
 - (b) if the set off extinguishes only part of the loss of an accounting period, the components of that part shall be identified in accordance with paragraph 14(3) above as if that part were profits against which effect could be given to the relief.

Method of giving effect to relief or charge

- 16 (1) Relief under paragraph 12 above in respect of any period of account shall, subject to the provisions of this paragraph, be given effect by treating the amount of the relief as a trading expense of the trade in that period.
- (2) A charge under paragraph 13 above in respect of any period of account shall, subject to the provisions of this paragraph, be given effect by treating the amount on which the charge is to be made as a trading receipt of the trade in that period.
- (3) Where a trade is set up and commenced by a company during a period of account, any amount which in accordance with this paragraph falls to be treated as an expense or receipt of the trade in that period, shall be brought into account only in respect of the accounting period, or periods, beginning with or after that commencement.
- (4) Where during a period of account a company carrying on a trade ceases to do so, or ceases in respect of it to be within the charge to corporation tax under Case I of Schedule D, any relief or charge which in accordance with this paragraph falls to be treated as an expense or receipt of the trade in that period, shall be brought into account only in respect of the accounting period, or periods, ending on or before that discontinuance or other event.

Restriction of carry forward of unused relief

- 17 (1) Where a company incurs a loss in an accounting period there shall not be carried forward under section 177(1) of the Taxes Act to a subsequent accounting period so much of that loss as consists of relief under this Part of this Schedule for an accounting period which ended six years or more before the beginning of that subsequent accounting period.
- (2) For the purposes of this paragraph the loss incurred by a company in an accounting period shall be taken to consist of—
 - (a) the loss, if any, incurred in the trade in that period (calculated without regard to capital allowances or relief under this Part of this Schedule);
 - (b) the capital allowances for the accounting period less the amount of the profit, if any, that accrued from the trade in that period (calculated without regard to capital allowances or relief under this Part of this Schedule); and

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- (c) the relief under this Part of this Schedule for the accounting period less so much of the profit referred to in paragraph (b) above as remains after deducting the capital allowances referred to in that paragraph.
- (3) Subject to sub-paragraph (4) below, where by virtue of section 177(2) of the Taxes Act (set off against profits), section 254 of that Act (set off against franked investment income) or section 258 of that Act (group relief) a loss falls to be set off against an amount of profits or franked investment income of an accounting period but the loss exceeds that amount, the part of the loss that is so set off shall for the purposes of this paragraph be taken to consist—
- (a) first of the loss, if any, referred to in sub-paragraph (2)(a) above;
 - (b) next of the capital allowances referred to in sub-paragraph (2)(b) above; and
 - (c) lastly of the relief referred to in sub-paragraph (2)(c) above.
- (4) Where subsection (3A) of the said section 177 applies, the part of the loss referred to in sub-paragraph (3) above shall be attributed first to the additional amount allowed by virtue of that subsection under subsections (2) and (3) of that section and then as provided by sub-paragraph (3) above (excluding that amount from paragraph (b)).
- (5) Where by virtue of section 177(1) of the Taxes Act (carry forward of losses) any amount in respect of a loss or losses incurred by a company falls to be set off against the company's trading income in an accounting period but that amount exceeds that income, the part of the amount that is set off shall for the purposes of this paragraph be taken to consist—
- (a) first of capital allowances for previous accounting periods ending not earlier than 14th November 1980 ;
 - (b) next of relief under this Part of this Schedule, taking relief in respect of a later period of account before relief in respect of an earlier one ;
 - (c) next of losses incurred in the trade in previous accounting periods ending not earlier than 14th November 1980 (calculated without regard to capital allowances or relief falling within paragraphs (a) and (b) above) and including any losses treated under section 254(5) of the Taxes Act as incurred in such accounting periods ; and
 - (d) lastly of other losses, capital allowances and reliefs.
- (6) In this paragraph references to relief under this Part of this Schedule for an accounting period are to relief in respect of any period of account falling wholly within the accounting period and to a proportionate part of the relief in respect of any period of account falling partly within it.