These notes refer to the Income Tax Act 2007 (c.3) which received Royal Assent on 20 March 2007

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 4: Loss relief

Overview

Chapter 2: Trade losses

Overview

Section 90: Losses that are "terminal losses"

310. This section sets out how terminal losses are to be calculated. It is based on section 388(6) of ICTA.

311. The relievable loss is calculated by adding (a) any loss in the final tax year to (b) any loss in the part of the previous tax year falling within 12 months of the date of cessation. Each of these losses is called a terminal loss. If a profit arises in either of the periods, it is ignored.

312. *Subsections (2)* to *(4)* provide that profits or losses for each of these terminal loss periods are calculated by allocating profits or losses of periods of account to them. *Subsection (5)* makes it explicit how any deduction allowed for overlap profit arising under section 205 of ITTOIA is taken into account. *Subsection (6)* makes explicit provision in relation to partnerships. See *Change 12* in Annex 1.