

*These notes refer to the Corporation Tax Act 2010  
(c.4) which received Royal Assent on 3 March 2010*

# CORPORATION TAX ACT 2010

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## EXPLANATORY NOTES

### INTRODUCTION

#### Part 4: Loss relief

#### Chapter 2: Trade losses

#### *Section 38: Limit on deduction if accounting period falls partly within 12 month period*

170. Where a loss is being relieved against the profits of an earlier accounting period this section limits the relief available if that period falls partly within the twelve month period prior to the loss-making period. It is based on section 393A(2) of ICTA.
171. The effect of this section can be illustrated as follows:

#### *Example*

Accounting period 3	12m	01/01/11 to 31/12/11	Loss in trade	£24,000
Accounting period 2	8m	01/05/10 to 31/12/10	Total profits	£12,000
Accounting period 1	12m	01/05/09 to 30/04/10	Total profits	£15,000

The twelve month period prior to the loss making period is 01/01/10 to 31/12/10. Accounting period 2 falls wholly within this period and the loss in trade is sufficient to cover all of the total profits of this period. £12,000 of the loss in trade remains to be relieved. The proportion of Accounting period 1 that falls within the relevant twelve month period is 4/12. 4/12 of the total profits of Accounting period 1 is £5,000. Accordingly the amount to be deducted under section 37(3) cannot exceed £5,000. This means that £7,000 of the loss in trade arising in Accounting period 3 cannot be relieved under section 37.