



Corporation Tax Act 2010

2010 CHAPTER 4

PART 22

MISCELLANEOUS PROVISIONS

CHAPTER 1

TRANSFERS OF TRADE WITHOUT A CHANGE OF OWNERSHIP

Effect of Chapter in relation to transfers to which it applies

[^{F1}943A Disapplication of section 39

If this Chapter applies to a transfer of a trade, section 39 (terminal losses: extension of periods for which relief may be given) does not apply in relation to a claim under section 37 by the predecessor for relief for a loss made in the transferred trade.]

Textual Amendments

F1 S. 943A 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. 63](#)

944 Modified application of [^{F2}section 45]

^{F3}(1)

^{F3}(2)

(3) [^{F4}If this Chapter applies to a transfer of a trade, relief] under section 45 (carry forward of [^{F5}pre-1 April 2017] trade loss against subsequent trade profits) is given to the successor in relation to a loss—

(a) which is made by the predecessor in the transferred trade, and

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- (b) for which relief would have been given under that section to the predecessor had it continued to carry on that trade.
- (4) Subsection (3) is subject to—
- (a) any claim made by the predecessor under section 37 (including a case where section 42 applies), and
 - [^{F6}(ab) any claim made by the predecessor under section 45F in reliance on subsection (2) of section 944C,]
 - (b) section 945.

Textual Amendments

- F2** Words in s. 944 heading 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. 64\(2\)](#)
- F3** S. 944(1)(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. 64\(3\)](#)
- F4** Words in s. 944(3) 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. 64\(4\)\(a\)](#)
- F5** Words in s. 944(3) 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. 64\(4\)\(b\)](#)
- F6** S. 944(4)(ab) 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. 64\(5\)](#)

[^{F7}944A Modified application of section 45A

- (1) Subsection (2) applies if—
 - (a) this Chapter applies to a transfer of a trade,
 - (b) the transferred trade is not a ring fence trade,
 - (c) the predecessor made a loss in the transferred trade in the accounting period in which it ceased to carry it on,
 - (d) that accounting period began on or after 1 April 2017,
 - (e) relief for an amount of that loss is not given under section 37 or Part 5,
 - (f) relief under section 37 was not unavailable for that loss by reason of a provision mentioned in section 45A(3)(b)(i) or (ii), and
 - (g) relief under section 37 would not be unavailable by reason of section 44 for a loss (assuming there was one) made by the successor in the transferred trade in the accounting period in which the successor begins to carry on the transferred trade (“the successor's start-up accounting period”).
- (2) Subsections (4) to (8) of section 45A (carry-forward of post-1 April 2017 trade loss against total profits) apply as if—
 - (a) references to the unrelieved amount were to the amount referred to in subsection (1)(e),
 - (b) references to the later period were to the successor's start-up accounting period, and
 - (c) references to the company were to the successor.
- (3) Subsection (4) applies if—
 - (a) this Chapter applies to a transfer of a trade,

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- (b) an amount of a loss made in the transferred trade was carried forward under section 45A(4) to the accounting period of the predecessor in which the predecessor ceased to carry on the trade,
 - (c) any of that amount was not deducted from the predecessor's total profits on a claim under section 45A(5) or surrendered by the predecessor by way of group relief for carried-forward losses under Part 5A, and
 - (d) relief under section 37 would not be unavailable by reason of section 44 for a loss (assuming there was one) made by the successor in the transferred trade in the accounting period in which the successor begins to carry on the transferred trade (“the successor's start-up accounting period”).
- (4) Subsections (4) to (8) of section 45A apply as if—
- (a) references to the unrelieved amount were to so much of the amount referred to in subsection (3)(b) as was not deducted or surrendered as mentioned in subsection (3)(c),
 - (b) references to the later period were to the successor's start-up accounting period, and
 - (c) references to the company were to the successor.
- (5) In this section “ring fence trade” has the same meaning as in Part 8 (see section 277).

Textual Amendments

- F7** Ss. 944A-944E 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. 65**

944B Modified application of section 45B

- (1) Subsection (2) applies if—
- (a) this Chapter applies to a transfer of a trade,
 - (b) the predecessor made a loss in the transferred trade in the accounting period in which it ceased to carry it on,
 - (c) that accounting period began on or after 1 April 2017,
 - (d) relief under section 37 or 42 or Part 5 is not given for an amount of the loss, and
 - (e) it is the case that—
 - (i) relief under section 37 was unavailable for the loss by reason of any provision mentioned in section 45A(3)(b)(i) or (ii),
 - (ii) relief under section 37 would be unavailable by reason of section 44 for a loss (assuming there was one) made by the successor in the transferred trade in the accounting period in which the successor begins to carry on the transferred trade (“the successor's start-up accounting period”), or
 - (iii) the transferred trade is a ring fence trade.
- (2) Subsections (2) to (8) of section 45B (carry forward of post-1 April 2017 trade loss against trade profits) apply as if—
- (a) references to the unrelieved amount were to the amount mentioned in subsection (1)(d),
 - (b) references to the later period were to the successor's start-up accounting period,

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- (c) references to the company were to the successor, and
 - (d) references to the trade were to the transferred trade.
- (3) Subsection (4) applies if—
- (a) this Chapter applies to a transfer of a trade,
 - (b) an amount of a loss made in the transferred trade was carried forward under section 45B(2) to the accounting period in which the predecessor ceased to carry on the trade, and
 - (c) any of that amount is not used under section 45B(4) to reduce profits of the transferred trade of the accounting period in which the predecessor ceases to carry on the trade.
- (4) Subsections (2) to (8) of section 45B apply as if—
- (a) references to the unrelieved amount were to so much of the amount referred to in subsection (3)(b) as is not used as mentioned in subsection (3)(c),
 - (b) references to the later period were to the accounting period of the successor in which the successor begins to carry on the transferred trade,
 - (c) references to the company were to the successor, and
 - (d) references to the trade were to the transferred trade.

Textual Amendments

- F7** Ss. 944A-944E 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. 65**

944C Modified application of section 45F

- (1) If this Chapter applies to a transfer of a trade, the predecessor may not make a claim under section 45F for relief to be given for an amount of a loss made in the transferred trade.
- (2) But subsection (1) does not apply if—
- (a) the trade is transferred before 13 July 2017, and
 - (b) the amount of the loss is carried forward to the accounting period in which the predecessor ceases to carry on the trade under section 45 (carry forward of pre-1 April 2017 trade losses).
- (3) Subsection (4) applies if—
- (a) this Chapter applies to a transfer of a trade,
 - (b) an amount of a loss made by the predecessor in the transferred trade is carried forward under section 45, 45A or 45B to the accounting period of the successor in which the successor ceases to carry on the transferred trade, and
 - (c) relief in that accounting period is not given to the successor under section 45, 45A or (as the case may be) 45B for that amount or for any part of it.
- (4) Section 45F has effect as if the loss was made by the successor in the transferred trade in the accounting period in which it began carrying on the transferred trade.

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Textual Amendments

F7 Ss. 944A-944E 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. 65**

944D Modified application of section 303B

- (1) Subsection (2) applies if—
 - (a) this Chapter applies to a transfer of a trade,
 - (b) the transferred trade is a ring-fence trade,
 - (c) the predecessor made a non-decommissioning loss in the transferred trade in the accounting period in which it ceased to carry it on,
 - (d) that accounting period began on or after 1 April 2017, and
 - (e) relief under section 37 or 42 or Part 5 is not given for an amount of the loss.
- (2) Subsections (2) to (5) of section 303B (carry forward of non-decommissioning losses against subsequent profits) have effect as if—
 - (a) references to the unrelieved amount were to the amount mentioned in subsection (1)(e),
 - (b) references to the later period were to the accounting period of the successor in which the successor begins to carry on the transferred trade,
 - (c) references to the company were to the successor, and
 - (d) references to the trade were to the transferred trade.
- (3) Section 303A (meaning of non-decommissioning loss) applies for the purposes of this section.
- (4) In this section “ring fence trade” has the same meaning as in Part 8 (see section 277).

Textual Amendments

F7 Ss. 944A-944E 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. 65**

944E Modified application of section 303D

- (1) Subsection (2) applies if—
 - (a) this Chapter applies to a transfer of a trade,
 - (b) the trade is a ring-fence trade,
 - (c) an amount of a loss made in the trade was carried forward under section 303B(2) or 303D(3) to the accounting period in which the predecessor ceased to carry on the trade (“the cessation period”), and
 - (d) any of that amount was not—
 - (i) deducted under section 303B(4) or 303D(5) from the predecessor's profit (if any) of the cessation period,
 - (ii) deducted from the predecessor's total profits of the cessation period on a claim under section 303C(2), or
 - (iii) surrendered by the predecessor by way of group relief for carried-forward losses under Part 5A.

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- (2) Subsections (3) to (6) of section 303D have effect as if—
- (a) the reference to so much of the amount mentioned in section 303D(1)(a) as is unrelieved in the later period were to so much of the amount mentioned in subsection (1)(c) of this section as was not deducted or surrendered as mentioned in subsection (1)(d),
 - (b) references to the further period were to the accounting period of the successor in which the successor begins to carry on the transferred trade,
 - (c) references to the company were to the successor, and
 - (d) references to the trade were to the transferred trade.
- (3) In this section “ring fence trade” has the same meaning as in Part 8 (see section 277).]

Textual Amendments

F7 Ss. 944A-944E 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. 65**

945 Cases in which predecessor retains more liabilities than assets

- (1) This section applies if L exceeds A.
- (2) “L” is the amount of the predecessor's liabilities so far as they—
- (a) are outstanding immediately before the transfer of the transferred trade, and
 - (b) are not transferred to the successor on the transfer of the trade.
- (3) “A” is the sum of the values of—
- (a) the predecessor's assets immediately before the transfer of the transferred trade so far as they are not transferred to the successor on that transfer, and
 - (b) the consideration given to the predecessor by the successor in relation to the transfer of the transferred trade.
- (4) The relief to be given to the successor as a result of [^{F8}sections 944 to 944E] is limited to—

R – E

where—

R is the total amount of loss for which relief could be given to the successor as a result of [^{F8}sections 944 to 944E], ignoring this section, and

E is the amount by which L exceeds A.

- (5) If R does not exceed E, no relief is to be given to the successor.

Textual Amendments

F8 Words in s. 945(4) 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. 66**

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946 Rules for determining “L”

- (1) This section applies for the purposes of section 945(2) (determination of “L”).
- (2) A liability is to be ignored if—
 - (a) the predecessor was the predecessor in relation to a transfer of a trade on a previous application of this Chapter, and
 - (b) on that previous application of this Chapter the liability was apportioned under section 952 to a trade carried on by the company that was the successor on that application.
- (3) Subsection (4) applies if—
 - (a) the predecessor transfers a liability to the successor, and
 - (b) the creditor in question has agreed to accept settlement of part of the liability as settlement for the whole of it.
- (4) The transfer of the liability is taken to cover only the part of the liability mentioned in subsection (3)(b).
- (5) The predecessor's capital is to be treated as a liability of the predecessor so far as it is recently converted capital (but not otherwise).
- (6) For the purposes of subsection (5) a part of the predecessor's capital is recently converted capital if—
 - (a) it was issued or otherwise originated on the conversion of a liability that was not part of the predecessor's capital or on the conversion of a part of that capital that was itself recently converted capital, and
 - (b) the conversion occurred during the period of 12 months ending with the day on which the transfer of the transferred trade occurs.
- (7) In this section “the predecessor's capital” means the predecessor's share capital, share premium account, reserves and relevant loan stock.
- (8) In subsection (7) “relevant loan stock” means any loan stock or similar security (whether secured or unsecured) other than any to which subsection (9) applies.
- (9) This subsection applies to any stock or security if, when the liability giving rise to the stock or security was incurred, the person who was the creditor was carrying on a trade of lending money.

947 Rules for determining “A”

- (1) Subsections (2) to (4) apply for the purposes of section 945(3)(a) (determination of assets within “A”).
- (2) An asset is to be ignored if—
 - (a) the predecessor was the predecessor on a previous application of this Chapter, and
 - (b) on that previous application of this Chapter the asset was apportioned under section 952 to a trade carried on by the company that was the successor on that application.
- (3) The value of an asset is to be taken to be the price which it might reasonably be expected to have fetched on a sale in the open market immediately before the transfer of the transferred trade.

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- (4) If immediately before the transfer of a trade—
- (a) the predecessor has relevant loan stock (as defined by section 946(8)) that is not included in L, and
 - (b) the stock is secured on an asset of the predecessor that is not transferred to the successor on the transfer of the trade,
- the value of the asset is reduced by the amount of the liability.
- (5) Subsection (6) applies for the purposes of section 945(3)(b) (determination of consideration within “A”).
- (6) If the successor assumes a liability of the predecessor, that does not count as giving consideration.

948 Modified application of CAA 2001

- (1) If this Chapter applies to a transfer of a trade, CAA 2001 has effect subject to subsections (2) to (4).
- (2) Any allowances or charges are to be made to or on the successor if such allowances or charges would have been made to or on the predecessor had the predecessor continued to carry on the transferred trade.
- (3) A transfer of assets from the predecessor to the successor does not of itself give rise to any allowances or charges if—
- (a) the transfer of the assets is made on the transfer of the transferred trade, and
 - (b) the assets are in use for the purposes of that trade.
- (4) For the purpose of determining the amount of the allowances or charges mentioned in subsection (2) to be made to the successor—
- (a) the successor is to be treated as if it has been carrying on the transferred trade since the predecessor began to do so, and
 - (b) anything done to or by the predecessor is to be treated as having been done to or by the successor.
- (5) This section is subject to sections 949 and 950.
- (6) For other cases in which this section does not apply in relation to a transfer, see—
- [^{F9}(za) section 398G of this Act (sale of lessors: transfers into and out of A after election under section 398A),]
 - (a) section 561 of CAA 2001 (transfer to company in another member State), and
 - (b) section 561A of that Act (transfer during formation of SE by merger).

Textual Amendments

- F9** S. 948(6)(za) inserted (with effect in accordance with Sch. 6 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 6 para. 24](#)

Modifications etc. (not altering text)

- C2** S. 948 excluded by Capital Allowances 2001 (c. 2), s. 561A(2)(c) (as substituted (with effect in accordance with s. 1184(1) of the amending Act) by [2010 c. 4](#), s. 1184(1), [Sch. 1 para. 361](#) (with [Sch. 2](#)))

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949 Dual resident investing companies

- (1) Section 948(1) to (4) does not apply if the successor is a dual resident investing company in the transfer accounting period.
- (2) A company is a “dual resident investing company” in the transfer accounting period if the company—
 - (a) is a dual resident company in that period (see subsection (3)), and
 - (b) meets condition A, B or C (see subsections (4) to (6)).
- (3) A “dual resident company” is a company that is both UK resident and also within a charge to non-UK tax under the law of a territory because—
 - (a) it derives its status as a company from that law,
 - (b) its place of management is in that territory, or
 - (c) it is for some other reason treated under that law as resident in that territory for the purposes of that tax.
- (4) Condition A is that the successor is not a trading company throughout the transfer accounting period.
- (5) Condition B is that in the transfer accounting period the successor carries on a trade of such a description that the company's main function, or one of its main functions, consists of one or more of the following activities.
 - Activity 1*

Acquiring and holding shares, securities or investments of any other kind (whether directly or indirectly).
 - Activity 2*

Making, under loan relationships, payments in relation to which debits fall to be brought into account for the purposes of Part 5 of CTA 2009.
 - Activity 3*

Making payments which are qualifying charitable donations.
 - Activity 4*

Making payments similar to those within Activity 3 but which are deductible in calculating the profits of the successor for corporation tax purposes.
 - Activity 5*

Obtaining funds for the purposes of, or otherwise in connection with, any of Activities 1 to 4.
- (6) Condition C is that in the transfer accounting period the successor carries on one or more of Activities 1 to 5—
 - (a) to an extent that does not appear to be justified by any trade which it carries on, or
 - (b) for a purpose that does not appear to be appropriate to any such trade.
- (7) In this section—
 - “non-UK tax” has the same meaning as in Part 5 (see section 187),
 - “trading company” means a company the business of which consists wholly or mainly in the carrying on of a trade or trades, and

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“the transfer accounting period” means the accounting period of the successor in which the transfer of the transferred trade takes place.

950 Transfers of trades involving business of leasing plant or machinery

- (1) This section applies if the transferred trade is or forms part of a business of leasing plant or machinery which the predecessor or the successor carries on on the day of the transfer of that trade (“the transfer day”).
- (2) If, on the transfer day, both the predecessor and the successor carry on the transferred trade otherwise than in partnership, section 948(1) to (4) does not apply unless—
 - (a) the principal company or companies of the predecessor immediately before the transfer are the same as the principal company or companies of the successor immediately afterwards, and
 - (b) if any such principal company is a consortium principal company, the following condition is met.
- (3) The condition is that the ownership proportion in relation to the predecessor immediately before the transfer is the same as the ownership proportion in relation to the successor immediately afterwards (regardless of whether the members of each consortium are the same).
- [^{F10}(3A) For the purposes of subsection (2)(a) the principal company or companies of the predecessor immediately before the transfer are not to be regarded as the same as the principal company or companies of the successor immediately afterwards (so far as they would otherwise have been so regarded) if—
 - (a) there is a relevant change in the relationship between the successor and a principal company of the successor within section 394ZA (company joining tonnage tax group), and
 - (b) that change occurs on or before the transfer day (whether the change occurs on or after 21 March 2012 or before that date).]
- (4) If, on the transfer day, the predecessor or the successor carries on the transferred trade in partnership, section 948(1) to (4) does not apply unless—
 - (a) the predecessor ceases to carry on the whole of its trade, and
 - (b) that trade is a business of leasing plant or machinery which the predecessor carries on in partnership on the transfer day.
- (5) If section 948(1) to (4) does not apply as a result of this section, the plant or machinery of the transferred trade is treated for the purposes of the Corporation Tax Acts as sold by the predecessor to the successor on the transfer day for [^{F11}the higher of—
 - (a) its ascribed value immediately before the transfer of the trade, and
 - (b) the disposal value that the predecessor would be required to bring into account under Part 2 of CAA 2001 in respect of it as a result of the transfer of the trade.]
- (6) In this section—

[^{F12} “ ascribed value ”, in relation to plant or machinery, is to be read in accordance with section 437A (but reading the reference to the relevant company or partnership as a reference to the predecessor);]

“business of leasing plant or machinery”—

 - (a) if the business is carried on otherwise than in partnership, has the same meaning as in section 387, and

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(b) if the business is carried on in partnership, has the same meaning as in section 410,
“consortium principal company” means a company which is a principal company as a result of section 394,
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...
“ownership proportion” has the same meaning as in section 394,
“plant or machinery” has the same meaning as in Part 2 of CAA 2001, and
“principal company” is to be read in accordance with section 393 or 394 (as the case may be).

Textual Amendments

- F10** S. 950(3A) inserted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2012 \(c. 14\), s. 24\(7\)](#)
- F11** Words in s. 950(5) substituted (with effect in accordance with Sch. 6 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 6 para. 25\(2\)](#)
- F12** Definition “ascribed value” in s. 950(6) inserted (with effect in accordance with Sch. 6 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 6 para. 25\(3\)\(a\)](#)
- F13** Definition “market value” in s. 950(6) omitted (with effect in accordance with Sch. 6 para. 27 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), Sch. 6 para. 25\(3\)\(b\)](#)

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