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

CORPORATION TAX ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Part 4: Loss relief

Chapter 7: Write–off of government investment

Overview

322. This Chapter restricts losses where there has been a write-off of an amount of government investment in a company.

Section 92: Loss relief to be reduced if government investment is written off

323. This section provides that if an amount of government investment in a company is written off that company's carry-forward losses are restricted by the amount written off. It is based on section 400(1) and (10) of ICTA.

Section 93: Groups of companies

324. This section sets out the further rules that apply if section 92 applies and the company is a member of a group of companies. It is based on section 400(5) and (10) of ICTA.

325. In these circumstances *subsection (2)* provides that the restriction may be to the carry-forward losses of any of the group companies provided that the restriction is on a just and reasonable basis. For example, if the government investment had been in a holding company and that company had lent the money to a subsidiary then it would be appropriate to restrict the carry-forward losses of the subsidiary.

Section 94: Cases in which government investment is written off

326. This section sets out the three circumstances which constitute a write-off of government investment. It is based on section 400(7), (8), (9) and (10) of ICTA.

Section 95: Meaning of "carry-forward losses"

327. This section defines the five types of "carry-forward losses". It is based on section 400(2) to (4) of ICTA.

328. *Subsection (2)* provides that certain amounts are not to be included in the calculation of "carry-forward losses". The effect of this is to limit the reduction of loss relief provided for by section 92.

329. *Subsection (4)* sets out the order in which losses are to be set off against the various "carry-forward losses" set out at subsection (1).

Section 96: Interaction with other tax provisions

330. This section ensures that a company is not prevented from deducting an amount in calculating its profits of a trade simply because an amount of government investment in the company has been written off. It is based on section 400(6) and (9A) of ICTA.