



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 2

#### CALCULATION OF LIABILITY IN RESPECT OF PROFITS

### CHAPTER 1

#### INTRODUCTION

## 2 Overview of Part

- (1) This Part contains provisions that relate to the calculation of the corporation tax chargeable on a company's profits of an accounting period.
- (2) Chapter 2 is about the rates at which corporation tax on profits is charged.
- (3) Chapter 3 is about ascertaining the amount of a company's profits of an accounting period to which the rates of corporation tax applicable to the company are applied.
- (4) Chapter 4 makes provision about the currency in which a company must calculate and express its profits for corporation tax purposes.
- (5) For provision about the calculation of the corporation tax payable for an accounting period see paragraph 8 of Schedule 18 to FA 1998.

### CHAPTER 2

#### RATES AT WHICH CORPORATION TAX ON PROFITS CHARGED

## [<sup>F13</sup> Corporation tax rates

- (1) Corporation tax is charged at the rate set by Parliament for the financial year as the main rate.

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*Changes to legislation: There are currently no known outstanding effects  
 for the Corporation Tax Act 2010, Part 2. (See end of Document for details)*

- (2) Subsection (1) is subject to any provision of the Corporation Tax Acts which provides for corporation tax to be charged at a different rate.]

#### Textual Amendments

- F1** S. 3 substituted (with effect in accordance with Sch. 1 para. 22 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 1 para. 3](#)

## CHAPTER 3

### CALCULATION OF AMOUNT TO WHICH RATES APPLIED

#### 4 Amount of profits to which corporation tax rates applied

- (1) In the calculation under paragraph 8(1) of Schedule 18 to FA 1998 of the amount of corporation tax payable for an accounting period of a company, the first step is to apply the rate or rates of corporation tax applicable to the profits of the company of the period on which tax is chargeable.

- (2) The profits of a company of an accounting period on which corporation tax is chargeable (in this Act referred to as the company's taxable total profits of the period) are found as follows—

*Step 1*

Find the company's total profits of the period (see subsection (3)).

*Step 2*

Deduct from the result of Step 1 any amounts which can be relieved against the company's total profits of the period.

- (3) To find a company's total profits of an accounting period take the following steps.

*Step 1*

Find the amount in respect of which the company is chargeable for the period under the charge to corporation tax on income after any reduction required to give effect to relief from tax.

*Step 2*

Add to the result of Step 1 any amount to be included in respect of chargeable gains in the company's total profits of the accounting period (see section 8 of TCGA 1992) after any reduction required to give effect to relief from tax.

- (4) Subsections (2) and (3) are subject to the provisions of the Corporation Tax Acts.

*Status: Point in time view as at 18/11/2015.*

*Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Part 2. (See end of Document for details)*

## CHAPTER 4

### CURRENCY

#### *The currency to be used in tax calculations*

#### 5 **Basic rule: sterling to be used**

- (1) For corporation tax purposes the income and chargeable gains of a company for an accounting period must be calculated and expressed in sterling.
- (2) See the following sections for provision about the application of subsection (1) in certain cases where profits or losses fall to be calculated in accordance with generally accepted accounting practice—
  - section 6 (UK resident company operating in sterling and preparing accounts in another currency),
  - section 7 (UK resident company operating in currency other than sterling and preparing accounts in another currency),
  - section 8 (UK resident company preparing accounts in currency other than sterling),
  - section 9 (non-UK resident company preparing accounts in currency other than sterling).

[<sup>F2</sup>(3) See section 9C for provision about the application of subsection (1) so far as it relates to calculating chargeable gains.]

#### **Textual Amendments**

**F2** S. 5(3) inserted (1.9.2013) by Finance Act 2013 (c. 29), s. 66(2)(4); S.I. 2013/1815, art. 2

#### 6 **UK resident company operating in sterling and preparing accounts in another currency**

- (1) This section applies if, for a period of account, in accordance with generally accepted accounting practice, a UK resident company [<sup>F3</sup>(other than a UK resident investment company)]—
  - (a) prepares its accounts in a currency other than sterling, and
  - (b) in those accounts identifies sterling as its functional currency.

[<sup>F4</sup>(1A) This section also applies if, for a period of account, a UK resident investment company

- (a) in accordance with generally accepted accounting practice, prepares its accounts in a currency other than sterling, and
- (b) either—
  - (i) has sterling as its designated currency for that period of account (see sections 9A and 9B), or
  - (ii) if it does not have a designated currency for that period, in those accounts identifies sterling as its functional currency in accordance with generally accepted accounting practice.]

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- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as if the company prepared its accounts in sterling.

**Textual Amendments**

- F3** Words in s. 6(1) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 1\(2\)](#)
- F4** S. 6(1A) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 1\(3\)](#)

**Modifications etc. (not altering text)**

- C1** S. 6 applied (with modifications) by 2010 c. 8, s. 371SI(2) (as inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#)), [Sch. 20 para. 1](#)

**7 UK resident company operating in currency other than sterling and preparing accounts in another currency**

- (1) This section applies if, for a period of account, in accordance with generally accepted accounting practice—
- (a) a UK resident company [<sup>F5</sup>(other than a UK resident investment company)] prepares its accounts in one currency,
  - (b) in those accounts it identifies another currency as its functional currency, and
  - (c) that other currency is not sterling.

[<sup>F6</sup>(1A) This section also applies if, for a period of account, a UK resident investment company

- (a) in accordance with generally accepted accounting practice, prepares its accounts in one currency,
- (b) either—
  - (i) has another currency as its designated currency for that period (see sections 9A and 9B), or
  - (ii) if it does not have a designated currency for that period, in those accounts identifies another currency as its functional currency in accordance with generally accepted accounting practice, and
- (c) that other currency is not sterling.]

- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—

*Step 1*

Calculate those profits or losses in the [<sup>F7</sup>relevant] currency as if the company prepared its accounts in that currency.

*Step 2*

Take the sterling equivalent of those profits or losses (see section 11).

- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the [<sup>F8</sup>relevant] currency of the company.

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[<sup>F9</sup>(4) In subsections (2) and (3) “ the relevant currency ” means the currency other than sterling referred to in subsection (1)(c) or (1A)(c). ]

#### **Textual Amendments**

- F5** Words in s. 7(1)(a) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 2\(2\)](#)
- F6** S. 7(1A) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 2\(3\)](#)
- F7** Word in s. 7(2) substituted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 2\(4\)](#)
- F8** Word in s. 7(3) substituted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 2\(5\)](#)
- F9** S. 7(4) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 2\(6\)](#)

#### **Modifications etc. (not altering text)**

- C2** S. 7 applied (with modifications) by 2010 c. 8, s. 371SI(3) (as inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#)), [Sch. 20 para. 1](#))

## **8 UK resident company preparing accounts in currency other than sterling**

- (1) This section applies if, for a period of account—
- a UK resident company prepares its accounts in a currency other than sterling (the “accounts currency”), and
  - neither section 6 nor section 7 applies.
- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—
- Step 1*
- Calculate those profits or losses in the accounts currency.
- Step 2*
- Take the sterling equivalent of those profits or losses (see section 11).
- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company.

## **9 Non-UK resident company preparing return of accounts in currency other than sterling**

- (1) This section applies if—
- a non-UK resident company carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom, and
  - for a period of account, the company prepares its return of accounts in a currency other than sterling (the “accounts currency”).
- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—

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*Step 1*

Calculate those profits or losses in the accounts currency.

*Step 2*

Take the sterling equivalent of those profits or losses (see section 11).

- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company.
- (4) The reference in subsection (1) to the company's "return of accounts" is to a return of such accounts of its permanent establishment in the United Kingdom as may be required under paragraph 3 of Schedule 18 to FA 1998 (company tax returns).

**[<sup>F10</sup>9A Designated currency of a UK resident investment company**

- (1) The designated currency of a UK resident investment company is the currency which the company elects as its designated currency.
- [<sup>F11</sup>(2) An election under this section by a company ("X") takes effect only if, at the time when it is to take effect (see section 9B(1))—
  - (a) X is a UK resident investment company, and
  - (b) Condition A or Condition B is met.]
- <sup>F12</sup>(3) .....
- (4) Condition A is that a significant proportion of X's assets and liabilities are denominated in the currency.
- (5) Condition B is that—
  - (a) the currency is the functional currency of another company, and
  - (b) it is reasonable to assume that the two companies will meet the consolidation condition.
- (6) X and another company ("Y") meet the consolidation condition at any time if—
  - (a) for a period which includes that time, the financial results of X are comprised in financial statements of Y's group prepared in accordance with acceptable accounting practice, or
  - (b) if no financial statements of the group are prepared in accordance with acceptable accounting practice for a period which includes that time, the financial results of X would be comprised in financial statements of Y's group for a period which includes that time if such statements were prepared in accordance with international accounting standards.
- (7) In subsection (6)—
 

" financial statements of the group " means consolidated financial statements of Y and its subsidiaries (within the meaning of section 351 of TIOPA 2010),

" Y's group " means a group of which Y is the ultimate parent (and for this purpose " group " and " ultimate parent " have the same meaning as they have for the purposes of Part 7 of that Act (see sections 338 and 339)), and

" acceptable accounting practice " means—

  - (a) international accounting standards,
  - (b) UK generally accepted accounting practice, or

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- (c) accounting practice which is generally accepted in the country in which Y is resident.
- (8) A currency is the designated currency of X for a period of account if the election in respect of that currency has effect throughout that period (see section 9B).
- [<sup>F13</sup>(9) In relation to any period of account for which a currency is X's designated currency as a result of an election under this section, profits or losses of X that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated as if—
  - (a) the designated currency were the functional currency of the company, and
  - (b) no part of X's business could, in accordance with generally accepted accounting practice, be regarded as having another currency as its functional currency.]

#### Textual Amendments

- F10** Ss. 9A, 9B inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 3](#)
- F11** [S. 9A\(2\)](#) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(3\)](#)
- F12** [S. 9A\(3\)](#) omitted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(4\)](#)
- F13** [S. 9A\(9\)](#) inserted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(5\)](#)

### 9B Period for which an election under section 9A has effect

- (1) An election under [<sup>F14</sup>section 9A] takes effect at the beginning of the day specified in the election as the day on which it takes effect (which must be later than the day on which the election is made).
- <sup>F15</sup>(2) .....
- (3) An election under [<sup>F16</sup>section 9A] may be revoked by notice of the revocation being given to an officer of Revenue and Customs before the election takes effect.
- (4) Subject to that, an election has effect until immediately before—
  - (a) the day on which another election by X takes effect, or
  - (b) the day on which a revocation event occurs,(whichever first occurs).
- (5) A revocation event occurs in a period of account (other than a period to which subsection (6) applies) if, at any time during that period—
  - (a) it is not the case that a significant proportion of X's assets and liabilities are denominated in the currency to which the election relates, and
  - (b) it is not the case that the currency is the functional currency of another company which, with X, met the consolidation condition (within the meaning of section 9A(6)) at any time during the preceding period of account.
- (6) [<sup>F17</sup>A revocation event occurs in the period of account in which X's first accounting period begins] if—

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- (a) Condition A and not Condition B is satisfied at the beginning of that accounting period, and
- (b) the condition in subsection (5)(a) is met at any time during the period of account but after the first accounting period begins.

[ A revocation event also occurs in a period of account (whether or not a period to which <sup>F18</sup>(6A) subsection (6) applies) if, at any time during that period, X ceases to be a UK resident investment company.]

- (7) Subsections (8) and (9) apply if a period of account of X (“the straddling period of account”) begins before, and ends on or after, the day on which—
- (a) an election under [<sup>F19</sup>section 9A] takes effect, or
  - (b) a revocation event occurs.

- (8) It is to be assumed, for the purposes of this Chapter, that the straddling period of account consists of two separate periods of account—
- (a) the first beginning with the straddling period of account and ending immediately before that day, and
  - (b) the second beginning with that day and ending with the straddling period of account,

and X's profits and losses are to be computed accordingly for the purposes of corporation tax.

- (9) For those purposes, it is to be assumed—
- (a) that X prepares its accounts for each of the two periods in the same currency, and otherwise on the same basis, as it prepares its accounts for the straddling period of account, and
  - (b) that if the accounts for the straddling period of account, in accordance with generally accepted accounting practice, identify a currency as X's functional currency, the accounts for each of the two periods do likewise.

(10) In this section references to “X” are to be construed in accordance with section 9A.]

#### Textual Amendments

- F10** Ss. 9A, 9B inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 3](#)
- F14** Words in s. 9B(1) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(7\)](#)
- F15** S. 9B(2) omitted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(8\)](#)
- F16** Words in s. 9B(3) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(9\)](#)
- F17** Words in s. 9B(6) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(10\)](#)
- F18** S. 9B(6A) inserted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(11\)](#)
- F19** Words in s. 9B(7)(a) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(12\)](#)



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## **[<sup>F20</sup>9C Chargeable gains and losses of companies**

- (1) This section applies if—
  - (a) a company disposes of an asset which is a ship, an aircraft, shares or an interest in shares, and
  - (b) at any time beginning with the company's acquisition of the asset (or, if earlier, the time allowable expenditure was first incurred in respect of the asset) and ending with the disposal, the company's relevant currency is not sterling.
- (2) A company's relevant currency at any time is its functional currency at that time, subject to subsection (3).
- (3) If, at any time—
  - (a) a company is a UK resident investment company, and
  - (b) the company has a designated currency (see sections 9A and 9B) which is different from its functional currency,the company's relevant currency at that time is that designated currency.
- (4) If the relevant currency of the company at the time of the disposal is not sterling, the chargeable gain or loss accruing to the company on the disposal must be calculated as follows—
  - Step 1* Calculate the chargeable gain or loss in the relevant currency of the company at the time of the disposal.
  - Step 2* Translate the amount of the chargeable gain or loss into sterling by reference to the spot rate of exchange on the day of the disposal.
- (5) In any case, subsections (6) to (10) apply for the purposes of calculating the chargeable gain or loss.
- (6) Where any allowable expenditure is incurred in a currency which is not the company's relevant currency at the time it is incurred, that expenditure is to be translated into that relevant currency by reference to the spot rate of exchange for the day on which it is incurred.
- (7) Where, at any time after any allowable expenditure is incurred but before the asset is disposed of, there is a change in the company's relevant currency, that expenditure is to be translated (or, if it has previously been translated under this section, further translated) into the relevant currency of the company immediately following the change, by reference to the spot rate of exchange for the day of the change.
- (8) Any amount of consideration for the disposal which is given in a currency other than the company's relevant currency is to be translated into that relevant currency by reference to the spot rate of exchange on the day of disposal.
- (9) For the purposes of subsections (6) and (7)—
  - (a) any translation of expenditure under subsection (6) is to be done before any translation of the expenditure under subsection (7), and
  - (b) if subsection (7) applies as a result of more than one change in the company's relevant currency, it is to be applied in relation to each change in the order the changes were made (with the earliest first).
- (10) Where, by virtue of any enactment, the company was at any time treated for the purposes of corporation tax on chargeable gains as acquiring the asset—

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- (a) for a consideration of such amount as would secure that neither a gain nor a loss would accrue to the person disposing of the asset, or
  - (b) for a consideration equal to the market value of the asset,
- for the purposes of this section that allowable expenditure is treated as incurred by the company at that time.
- (11) For the purposes of this section, a reference to a ship or aircraft includes a reference to the benefit of a contract—
- (a) to which section 67 of CAA 2001 applies, and
  - (b) which relates to plant or machinery which is a ship or aircraft.
- (12) In this section—
- “allowable expenditure” means expenditure which, immediately before the disposal, was attributable to the asset under section 38(1)(a) to (c) of TCGA 1992;
  - “interest in shares” has the same meaning as in Schedule 7AC to TCGA 1992 (see paragraph 29 of that Schedule);
  - “shares” includes stock.]

#### **Textual Amendments**

**F20** S. 9C inserted (1.9.2013) by [Finance Act 2013 \(c. 29\)](#), s. 66(3)(4); S.I. 2013/1815, art. 2

### *Translating amounts into other currencies*

#### **10 The equivalent in another currency of a sterling amount**

- (1) Subsection (2) applies if, for the purposes of calculating the profits or losses of a company arising in an accounting period, section 7(3), 8(3) or 9(3) requires a sterling amount to be translated into its equivalent expressed in another currency.
- (2) The translation must be made by reference to—
- (a) the average exchange rate for the accounting period, or
  - (b) the rate mentioned in subsection (3).
- (3) That rate is—
- (a) if the amount to be translated relates to a single transaction, an appropriate spot rate of exchange for the transaction, or
  - (b) if the amount to be translated relates to more than one transaction, a rate of exchange derived on a just and reasonable basis from appropriate spot rates of exchange for those transactions.

#### **11 Sterling equivalents: basic rule**

- (1) Subsection (2) applies if, for the purposes of calculating the profits or losses of a company arising in an accounting period, section 7(2), 8(2) or 9(2) requires a profit or loss to be translated into its sterling equivalent.
- (2) The translation must be made by reference to—
- (a) the average exchange rate for the accounting period, or

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- (b) the rate mentioned in subsection (3).
- (3) That rate is—
  - (a) if the amount to be translated relates to a single transaction, an appropriate spot rate of exchange for the transaction, or
  - (b) if the amount to be translated relates to more than one transaction, a rate of exchange derived on a just and reasonable basis from appropriate spot rates of exchange for those transactions.
- (4) Subsection (2) is subject to sections 12 and 13 (special rules where the translation is for the purpose of calculating carried-forward or carried-back amounts).

## 12 Sterling equivalents: carried-back amounts

- (1) This section applies if, for the purpose of calculating a carried-back amount in respect of a company, a loss (“the loss”) is required by section 7(2), 8(2) or 9(2) to be translated into its sterling equivalent.
- (2) The translation must be made in accordance with whichever of the rules 1, 2 and 3 is applicable (see the table below).

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Rule 1 applies if the later tax calculation currency is the same as the earlier tax calculation currency.

Rule 1 is that the loss must be translated into its sterling equivalent by reference to the same rate of exchange as that at which the profit against which the carried-back amount is to be set off is required to be translated under section 11.

Rule 2 applies if—

- (a) the later tax calculation currency is not the same as the earlier tax calculation currency, and
- (b) the earlier tax calculation currency is sterling.

Rule 2 is that the loss must be translated into its sterling equivalent by reference to the spot rate of exchange for the last day of the relevant accounting period.

Rule 3 applies if—

- (a) the later tax calculation currency is not the same as the earlier tax calculation currency, and
- (b) the earlier tax calculation currency is a currency other than sterling.

Rule 3 is that the loss must be translated into its sterling equivalent by—

- (a) being translated into the earlier tax calculation currency by reference to the spot rate of exchange for the last day of the relevant accounting period, and
- (b) then being translated into sterling by reference to the same rate of exchange as that at which the profit against which the carried-back amount is to be set off is required to be translated under section 11.

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- (3) In the table in subsection (2)—

“the earlier tax calculation currency” means the tax calculation currency of the company in the accounting period to which the carried-back amount is to be carried back,

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“the later tax calculation currency” means the tax calculation currency of the company in the accounting period in which the loss arises, and

“the relevant accounting period” means the latest accounting period of the company that both—

- (a) ends before the accounting period in which the loss arises, and
- (b) is a period in which the tax calculation currency of the company is the same as the earlier tax calculation currency.

### 13 Sterling equivalents: carried-forward amounts

- (1) This section applies if, for the purpose of calculating a carried-forward amount in respect of a company, a loss (“the loss”) is required by section 7(2), 8(2) or 9(2) to be translated into its sterling equivalent.
- (2) The translation must be made in accordance with whichever of rules 1, 2 and 3 is applicable (see the table below).

|  |  |
|--|--|
| <p>Rule 1 applies if the earlier tax calculation currency is the same as the later tax calculation currency.</p>   | <p>Rule 1 is that the loss must be translated into its sterling equivalent by reference to the same rate of exchange as that at which the profit against which the carried-forward amount is to be set off is required to be translated under section 11.</p>  |
| <p>Rule 2 applies if—</p> <ul style="list-style-type: none"> <li>(a) the earlier tax calculation currency is not the same as the later tax calculation currency, and</li> <li>(b) the later tax calculation currency is sterling.</li> </ul>                       | <p>Rule 2 is that the loss must be translated into its sterling equivalent by reference to the spot rate of exchange for the first day of the relevant accounting period.</p>  |
| <p>Rule 3 applies if—</p> <ul style="list-style-type: none"> <li>(a) the earlier tax calculation currency is not the same as the later tax calculation currency, and</li> <li>(b) the later tax calculation currency is a currency other than sterling.</li> </ul> | <p>Rule 3 is that the loss must be translated into its sterling equivalent by—</p> <ul style="list-style-type: none"> <li>(a) being translated into the later tax calculation currency by reference to the spot rate of exchange for the first day of the relevant accounting period, and</li> <li>(b) then being translated into sterling by reference to the same rate of exchange as that at which the profit against which the carried-forward amount is to be set off is required to be translated under section 11.</li> </ul> |

- (3) In the table in subsection (2)—

“the earlier tax calculation currency” means the tax calculation currency of the company in the accounting period in which the loss arises,

“the later tax calculation currency” means the tax calculation currency of the company in the accounting period to which the carried-forward amount is to be carried forward, and

“the relevant accounting period” means the earliest accounting period of the company that both—

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- (a) begins after the accounting period in which the loss arises, and
- (b) is a period in which the tax calculation currency of the company is the same as the later tax calculation currency.

#### *Adjustment of sterling losses*

### **14 Carried-back amounts**

- (1) This section applies if conditions A, B and C are met.
- (2) Condition A is that, in accordance with generally accepted accounting practice, a UK resident company—
  - (a) prepares its accounts for a period of account in sterling, or
  - (b) prepares its accounts for a period of account in a currency other than sterling and in those accounts identifies sterling as its functional currency.
- (3) Condition B is that a loss of the company for that period (“the loss”) which falls to be calculated in accordance with generally accepted accounting practice for corporation tax purposes is to be a carried-back amount.
- (4) Condition C is that the tax calculation currency of the company in the accounting period to which the loss is to be carried back (“the earlier tax calculation currency”) is a currency other than sterling.
- (5) The loss must be adjusted by—
  - (a) first being translated into the earlier tax calculation currency by reference to the spot rate of exchange for the last day of the relevant accounting period, and
  - (b) then being translated into sterling by reference to the same rate of exchange as that at which the profit against which the carried-back amount is to be set off is required to be translated under section 11.
- (6) In this section “the relevant accounting period” means the latest accounting period of the company that both—
  - (a) ends before the accounting period in which the loss arises, and
  - (b) is a period in which the tax calculation currency of the company is the currency mentioned in subsection (4).

### **15 Carried-forward amounts**

- (1) This section applies if conditions A, B and C are met.
- (2) Condition A is that, in accordance with generally accepted accounting practice, a UK resident company—
  - (a) prepares its accounts for a period of account in sterling, or
  - (b) prepares its accounts for a period of account in a currency other than sterling and in those accounts identifies sterling as its functional currency.
- (3) Condition B is that a loss of the company for that period (“the loss”) which falls to be calculated in accordance with generally accepted accounting practice for corporation tax purposes is to be a carried-forward amount.

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- (4) Condition C is that the tax calculation currency of the company in the accounting period to which the loss is to be carried forward (“the later tax calculation currency”) is a currency other than sterling.
- (5) The loss must be adjusted by—
  - (a) first being translated into the later tax calculation currency by reference to the spot rate of exchange for the first day of the relevant accounting period, and
  - (b) then being translated into sterling by reference to the same rate of exchange as that at which the profit against which the carried-forward amount is to be set off is required to be translated under section 11.
- (6) In this section “the relevant accounting period” means the earliest accounting period of the company that both—
  - (a) begins after the accounting period in which the loss arises, and
  - (b) is a period in which the tax calculation currency of the company is the currency mentioned in subsection (4).

#### *Interpretation*

### **16 Sections 13(2) and 15(5): profit against which carried-forward amount to be set off**

- (1) This section is about the interpretation of the references in sections 13(2) and 15(5) to the profit against which a carried-forward amount is to be set off, in a case where the carried-forward amount—
  - (a) is one that is treated as arising in an accounting period later than that in which it in fact arises, and
  - (b) is accordingly deductible in calculating a profit for that later period.
- (2) In such a case, the references are to be read as references to the profit in calculating which the amount is deductible, disregarding the deduction.

### **17 Interpretation of Chapter**

- (1) References in this Chapter to the accounts of a UK resident company are to—
  - (a) the annual accounts of the company required by Part 15 of the Companies Act 2006, or
  - (b) if the company is not required to prepare such accounts, the accounts which it is required to keep under the law of the territory under whose laws the company is incorporated, or
  - (c) if the company is not required to keep accounts as mentioned in paragraph (a) or (b), those accounts of the company that most closely correspond to accounts which it would have been required to prepare if the provisions of Part 15 of the Companies Act 2006 applied to it.
- (2) In this Chapter “carried-back amount” means—
  - (a) an amount carried back under section 37 (relief for trade losses against total profits),
  - (b) an amount carried back under section 389(2) of CTA 2009 (deficits of insurance companies), or

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- (c) an amount carried back by virtue of a claim under section 459(1)(b) of CTA 2009 (non-trading deficits from loan relationships).
- (3) In this Chapter “carried-forward amount” means—
- (a) an amount carried forward under section 45 (carry forward of trade loss against subsequent trade profits),
  - (b) an amount carried forward under section 62(5) (UK property business losses),
  - (c) an amount carried forward under section 63(3) (company with investment business ceasing to carry on a UK property business),
  - (d) an amount carried forward under 66(3) (overseas property business losses),
  - (e) an amount carried forward under section 91(6) (losses from miscellaneous transactions),
  - (f) an amount carried forward under [<sup>F21</sup>section 73 or 93 of FA 2012 for use at step 5 in section 76 of that Act (the I - E basis for insurance companies)],
  - <sup>F22</sup>(g) .....
  - (h) an amount carried forward under section 391(2) of CTA 2009 (deficits of insurance companies),
  - (i) an amount carried forward under section 457(3) of CTA 2009 (non-trading deficits from loan relationships),
  - (j) an amount carried forward under section 753(3) of CTA 2009 (non-trading loss on intangible fixed assets),
  - (k) an amount carried forward under section 925(3) of CTA 2009 (patent income: relief for expenses), or
  - (l) an amount carried forward under section 1223 of CTA 2009 (expenses of management and other amounts).
- [<sup>F23</sup>(3A) In this Chapter “investment company” means a company whose business consists wholly or mainly in the making of investments and the principal part of whose income is derived from those investments.]
- [<sup>F24</sup>(4) References in this Chapter to the functional currency of a company or of part of a company's business are references to the currency of the primary economic environment in which the company or part operates.]
- (5) References in this Chapter to the tax calculation currency of a company in an accounting period are to the currency in which profits or losses of the company arising in that period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes are required to be calculated by virtue of section 5(1), section 6(2), Step 1 of section 7(2), Step 1 of section 8(2) or Step 1 of section 9(2).

#### Textual Amendments

- F21** Words in s. 17(3)(f) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 216\(a\)](#)
- F22** S. 17(3)(g) omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 216\(b\)](#)
- F23** S. 17(3A) inserted (with effect in accordance with Sch. 7 para. 8 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 7 para. 4](#)
- F24** S. 17(4) substituted (18.11.2015) (with effect in accordance with s. 34(14) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 34\(13\)](#)

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**Changes to legislation:**

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