



Corporation Tax Act 2010

2010 CHAPTER 4

PART 4

LOSS RELIEF

CHAPTER 5

LOSSES ON DISPOSAL OF SHARES

Share loss relief against income

68 Share loss relief

- (1) A company which has subscribed for shares in a qualifying trading company is eligible for relief under this Chapter (“share loss relief”) if—
 - (a) it incurs an allowable loss (for the purposes of corporation tax on chargeable gains) on the disposal of the shares in any accounting period, and
 - (b) it meets the eligibility conditions (see section 69).
- (2) Subsection (1) applies only if the disposal of the shares is—
 - (a) by way of a bargain made at arm's length,
 - (b) by way of a distribution in the course of dissolving or winding up the qualifying trading company,
 - (c) a disposal within section 24(1) of TCGA 1992 (entire loss, destruction, dissipation or extinction of asset), or
 - (d) a deemed disposal under section 24(2) of that Act (claim that value of the asset has become negligible).
- (3) Subsection (1) does not apply to any allowable loss incurred on the disposal if—
 - (a) the shares are the subject of an exchange or arrangement of the kind mentioned in section 135 or 136 of TCGA 1992 (company reconstructions etc), and

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(b) because of section 137 of that Act, the exchange or arrangement involves a disposal of the shares.

(4) For the meaning of “qualifying trading company”, see section 78.

69 Eligibility conditions

(1) These are the eligibility conditions mentioned in section 68(1)(b) that a company which has subscribed for shares in a qualifying trading company must meet to be eligible for share loss relief on the disposal of the shares.

(2) Condition A is that the subscribing company (“the investor”) is an investment company on the date of the disposal of the shares (“the disposal date”).

(3) Condition B is that the investor has been an investment company—

- (a) for a continuous period of 6 years ending on the disposal date, or
- (b) for a shorter continuous period ending on the disposal date and has not before the beginning of that period been a trading company or an excluded company (see section 90(1)).

(4) Condition C is that the investor was not associated with, or a member of the same group as, the qualifying trading company at any time during the period—

- (a) beginning with the date when the investor subscribed for the shares, and
- (b) ending with the disposal date.

(5) For the purposes of condition C, two companies are associated with each other if—

- (a) one controls the other, or
- (b) both are under the control of the same person or persons.

(6) Sections 450 and 451 (which contain provision as to when a person is to be taken to have control of a company) apply for the purposes of subsection (5).

70 Entitlement to claim

(1) This section applies where a company is eligible for share loss relief.

(2) The company may make a claim for the loss to be deducted in calculating for corporation tax purposes the company's income—

- (a) for the accounting period in which the loss is incurred, and
- (b) if the claim so requires, for previous accounting periods so far as they fall (wholly or partly) within the period of 12 months ending immediately before the beginning of the accounting period in which the loss is incurred.

(3) The company may make a claim under subsection (2)(b) for any accounting period only if the company was an investment company throughout that period.

(4) A claim for share loss relief must be made before the end of the period of two years after the end of the accounting period in which the loss is incurred.

71 How relief works

(1) This subsection explains how deductions in respect of share loss relief claimed by a company under section 70 are to be made.

Step 1

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Deduct the loss in calculating the company's income for the accounting period in which the loss is incurred.

Step 2

If not all of the loss can be deducted at Step 1, deduct the remaining loss in calculating the company's income for any accounting period falling (wholly or partly) within the 12 month period that ends immediately before the beginning of the accounting period in which the loss is incurred.

- (2) The amount of a deduction to be made at Step 2 for any accounting period is the amount of the loss so far as it cannot be deducted under subsection (1) for a subsequent accounting period.
- (3) Subsection (1) is subject to sections 72, 74(5) and 75 (which set limits on the amount of share loss relief that may be obtained in particular cases).
- (4) A deduction at Step 2 from the income of an accounting period may be made only after all other deductions have been made from the income for that period in respect of share loss relief given for an earlier loss.
- (5) Deductions made on the basis of relief claimed under Part 7 of Schedule 15 to FA 2000 (relief for losses on disposal of shares to which investment relief is attributable) must, in accordance with paragraph 70 of that Schedule, be made before making deductions for share loss relief.
- (6) A claim for share loss relief does not affect any claim for a deduction under TCGA 1992 for so much of the allowable loss as is not deducted under subsection (1).

72 Limit on deduction if accounting period falls partly within 12 month period

- (1) This section applies if an accounting period falls partly within the period of 12 months ending immediately before the beginning of the accounting period in which the loss is incurred.
- (2) The amount of the deduction under Step 2 in section 71(1) for the accounting period is not to exceed an amount equal to the overlapping proportion of the company's income of that period.
- (3) The overlapping proportion is the same as the proportion that the part of the accounting period falling within the 12 month period mentioned in subsection (1) bears to the whole of the accounting period.

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