

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2020, SCHEDULE 4. (See end of Document for details)

SCHEDULES

SCHEDULE 4 **U.K.**

Section 25

CORPORATE CAPITAL LOSSES

PART 1 **U.K.**

CORPORATE CAPITAL LOSS RESTRICTION

Restriction on deduction from chargeable gains: main provisions

- 1 Part 7ZA of CTA 2010 (restrictions on obtaining certain deductions) is amended as follows.
- 2 After section 269ZB insert—

“269ZBA Restriction on deductions from chargeable gains

- (1) This section has effect for determining the taxable total profits of a company for an accounting period.
- (2) The sum of any deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods) may not exceed the relevant maximum.

But this is subject to subsection (7).

- (3) In this section the “relevant maximum” means the sum of—
 - (a) 50% of the company's relevant chargeable gains for the accounting period, and
 - (b) the amount of the company's chargeable gains deductions allowance for the accounting period.
- (4) Section 269ZF contains provision for determining a company's relevant chargeable gains for an accounting period.
- (5) A company's “chargeable gains deductions allowance” for an accounting period—
 - (a) is so much of the company's deductions allowance for the period as is specified in the company's tax return as its chargeable gains deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company's deductions allowance for the period is so specified.
- (6) An amount specified under subsection (5)(a) as a company's chargeable gains deductions allowance for an accounting period may not exceed the difference between—

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- (a) the amount of the company's deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under—
 - (i) section 269ZB(7)(a) (trading profits deductions allowance),
 - (ii) section 269ZC(5)(a) (non-trading income profits deductions allowance), and
 - (iii) in the case of an insurance company, section 269ZFC(5)(a) (BLAGAB deductions allowance).
 - (7) Subsection (2) does not apply in relation to a company for an accounting period where, in determining the company's qualifying chargeable gains for the period, the amount given by step 1 in section 269ZF(3) is not greater than nil.”
- 3
- (1) Section 269ZC (restriction on deductions from non-trading profits) is amended in accordance with this paragraph.
 - (2) In subsection (2), for “the relevant maximum” substitute “the difference between—
 - (a) the relevant maximum, and
 - (b) the amount of any deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods).”
 - (3) For subsection (3) substitute—

“(3) In this section the “relevant maximum” means the sum of—

 - (a) 50% of the company's total relevant non-trading profits for the accounting period, and
 - (b) the amount of the company's total non-trading profits deductions allowance for the accounting period.

(3A) A company's “total non-trading profits deductions allowance” for the accounting period is the sum of—

 - (a) the company's non-trading income profits deductions allowance (see subsection (5)), and
 - (b) the company's chargeable gains deductions allowance (see section 269ZBA(5)).”
 - (4) In subsection (4), for “relevant non-trading profits” substitute “total relevant non-trading profits”.
 - (5) In subsection (5) for ““non-trading profits deductions allowance””, in both places it occurs, substitute ““non-trading income profits deductions allowance””.
 - (6) In subsection (6)—
 - (a) in the words before paragraph (a), for ““non-trading profits deductions allowance”” substitute ““non-trading income profits deductions allowance””, and
 - (b) for paragraph (b) substitute—

“(b) the total of any amounts specified for the period under—

 - (i) section 269ZB(7)(a) (trading profits deductions allowance),

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- (ii) section 269ZBA(5)(a) (chargeable gains deductions allowance), and
 - (iii) in the case of an insurance company, section 269ZFC(5)(a) (BLAGAB deductions allowance).”
- (7) In subsection (8), for “relevant non-trading profits” substitute “qualifying non-trading income profits and qualifying chargeable gains”.
- 4 In section 269ZD (restriction on deductions from total profits), in subsection (2) (b), after sub-paragraph (i) (before the “and”) insert—
 - “(ia) any deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods).”
- 5 In section 269ZF (relevant profits), after subsection (2) insert—
 - “(2A) A company's “relevant chargeable gains” for an accounting period are—
 - (a) the company's qualifying chargeable gains for the accounting period (see subsection (3)), less
 - (b) the company's chargeable gains deductions allowance for the accounting period (see section 269ZBA(5)).
 - But if the allowance mentioned in paragraph (b) exceeds the qualifying chargeable gains mentioned in paragraph (a), the company's “relevant chargeable gains” for the accounting period are nil.
 - (2B) A company's “total relevant non-trading profits” for an accounting period are—
 - (a) the sum of—
 - (i) the company's qualifying non-trading income profits for the period, and
 - (ii) the company's qualifying chargeable gains for the period, less
 - (b) the company's total non-trading profits deductions allowance for the period (see section 269ZC(3A)).”
- 6 In section 269ZF, in subsection (3), for steps 3 to 5 substitute—
 - “*Step 3 - trading profits, non-trading income profits and chargeable gains*
Divide the company's total profits for the accounting period (as modified under step 1(2)) into—
 - (a) profits of a trade of the company (the company's “trading profits”),
 - (b) profits, other than chargeable gains, that are not profits of a trade of the company (the company's “non-trading income profits”), and
 - (c) chargeable gains included in the total profits (the company's “chargeable gains”).
 - Step 4 - apportionment of the step 2 amount*
 - (1) Allocate the whole of the step 2 amount to one of, or between two or all of, the following—
 - (a) the company's trading profits,
 - (b) the company's non-trading income profits, and
 - (c) the company's chargeable gains.

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- (2) Reduce, but not below nil, each of the company's trading profits, non-trading income profits and chargeable gains by the amount (if any) allocated to it under paragraph (1).

Step 5 - amount of qualifying trading profits, qualifying non-trading income profits and qualifying chargeable gains The amounts resulting from step 3, after any reduction under step 4, are—

- (a) in the case of the amount in step 3(a), the company's qualifying trading profits,
 (b) in the case of the amount in step 3(b), the company's qualifying nontrading income profits, and
 (c) in the case of the amount in step 3(c), the company's qualifying chargeable gains.”

7 In section 269ZF(4) (calculation of modified total profits)—

- (a) omit “and” at the end of paragraph (f), and
 (b) after paragraph (g) insert “; and
 (h) make no deductions under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods).”

Insolvent companies

8 After section 269ZW insert—

“269ZWA Increase of deductions allowance for insolvent companies

- (1) This section applies in relation to a company if—
 (a) the company has gone into insolvent liquidation (see subsection (4)),
 or
 (b) a corresponding situation exists in relation to the company in a country or territory outside the United Kingdom.
- (2) The company's deductions allowance for a winding up accounting period (as determined in accordance with section 269ZR or 269ZW) is to be treated (for all purposes) as increased by—
 (a) the amount of chargeable gains accruing to the company in the accounting period after deducting any allowable losses accruing to the company in the period, or
 (b) if lower, the amount of any allowable losses previously accruing to the company, so far as not previously deducted under section 2A(1) of TCGA 1992.
- (3) In determining the amount of chargeable gains accruing to the company in a winding up accounting period for the purposes of subsection (2), ignore—
 (a) any chargeable gains (but not any allowable losses) accruing to the company on the disposal of an asset if—
 (i) section 171(1) of TCGA 1992 (transfers within a group: no gain no loss) applied in relation to the disposal by which the company acquired the asset (the “no gain/no loss disposal”),

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- (ii) the asset was acquired by the company, by virtue of the no gain/no loss disposal, in a winding up accounting period, and
 - (iii) the company making the no gain/no loss disposal has not, at that time, gone into insolvent liquidation, and
 - (b) any chargeable gains (but not any allowable losses) transferred to the company in accordance with an election made under section 171A of TCGA 1992 (election to reallocate gain or loss to another member of the group) if—
 - (i) the election is made in a winding up accounting period, and
 - (ii) the company from which the chargeable gain is transferred has not, at the time the election is made, gone into insolvent liquidation.
 - (4) For the purposes of this section, a company has gone into insolvent liquidation if—
 - (a) it has gone into liquidation, within the meaning of section 247(2) of the Insolvency Act 1986 or article 6(2) of the Insolvency (Northern Ireland) Order 1989 (SI 1989/2405 (NI 19), and
 - (b) at the time it goes into liquidation, its assets are insufficient for the payment of its debts and other liabilities and the expenses of the winding up.
 - (5) In this section a “winding up accounting period” means—
 - (a) the accounting period of the company that begins when the winding up starts (within the meaning of section 12(7) of CTA 2009), and
 - (b) each subsequent accounting period.”
- 9 In section 269ZZ (company tax return to specify amount of deductions allowance), in subsection (1), after paragraph (a) (but before the “and”) insert—
- “(aa) if section 269ZWA (increase of deductions allowance for insolvent companies) applies, what that amount would be without the increase provided for by subsection (2) of that section.”

Companies without a source of chargeable income

- 10 After section 269ZY of CTA 2010 insert—

“269ZYA Deductions allowance for company without a source of chargeable income

- (1) This section applies in relation to a company and a financial year (“the relevant financial year”) if—
 - (a) the company has no source of chargeable income (see subsection (2)) throughout the relevant financial year, and
 - (b) if the company is a member of a group (see section 269ZZB) at any time during the relevant financial year, each other company that is, at any time during the relevant financial year, a member of the group has no source of chargeable income throughout the relevant financial year.

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- (2) For the purposes of this section and section 269ZYB, a company “has no source of chargeable income” if the company is either—
- (a) not within the charge to corporation tax, or
 - (b) chargeable to corporation tax only because of a chargeable gain accruing to the company on the disposal of an asset.
- (3) A company may make a claim under this section in respect of an accounting period if—
- (a) the accounting period falls wholly within the relevant financial year, and
 - (b) the company is chargeable to corporation tax for the accounting period only because of a chargeable gain accruing to the company on the disposal of an asset.
- (4) If a claim is made by a company under this section in respect of an accounting period (a “claim AP”), the company's deductions allowance for the claim AP is the lower of—
- (a) the available deductions allowance amount (see subsection (9)),
 - (b) the total amount of allowable losses accruing to the company in any previous accounting period, so far as not previously deducted under section 2A(1)(a) or (b) of TCGA 1992, and
 - (c) the chargeable gains accruing to the company in the claim AP.
- (5) A claim under this section in respect of an accounting period—
- (a) must be made within the period of two years after the end of the accounting period, but
 - (b) may not be made before the end of the relevant financial year.
- (6) Sections 269ZR to 269ZY (deductions allowances) do not apply to a claim AP.
- (7) Subsection (8) applies if—
- (a) there is at least one claim AP falling wholly within the relevant financial year, and
 - (b) there is at least one accounting period falling wholly within the relevant financial year in respect of which no claim is made under this section (an “alternative AP”).
- (8) The company's deductions allowance for an alternative AP is the lower of—
- (a) the deductions allowance that would be available, ignoring the effect of this section (see sections 269ZR to 269ZY), and
 - (b) the available deductions allowance amount (see subsection (9)).
- (9) For the purposes of this section, the “available deductions allowance amount” is—
- (a) £5,000,000, less
 - (b) the total of the deductions allowance amounts (if any) already claimed by—
 - (i) the company, and
 - (ii) if the company is a member of a group at any time during the relevant financial year, each other company that is, at

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any time during the relevant financial year, a member of the group,

in respect of each claim AP and alternative AP that falls wholly within the relevant financial year.

- (10) In this section, references to the deductions allowance amounts claimed by a company in respect of an accounting period—
- (a) for a claim AP, are references to any deductions allowance claimed by the company under this section in respect of the period, and
 - (b) for an alternative AP, are references to any other amount specified in the company's tax return as its chargeable gains deductions allowance for the period.
- (11) For the purposes of subsection (9)(b), in the cases listed in the first column of the table below, the rules in the second column apply to determine the order in which deductions allowance amounts are to be treated as claimed in respect of the accounting periods—

<i>Case</i>	<i>Rule</i>
1. There is a claim AP and another claim AP starting on the same day or a different day.	The order in which the claims under this section are made.
2. There is an alternative AP (“AP1”) and another alternative AP (“AP2”) starting on a later day.	AP1 before AP2.
3. There is an alternative AP and another alternative AP starting on the same day.	The order in which the tax returns for the alternative APs are delivered.
4. There is a claim AP and an alternative AP starting on the same day, an earlier day or a later day.	The claim AP before the alternative AP.

269ZYB Provisional application of section 269ZYA

- (1) This section applies in relation to a company and an accounting period if—
- (a) the conditions in section 269ZYA(3)(a) and (b) are met in relation to the accounting period, and
 - (b) the company's tax return for the accounting period is delivered before the end of the financial year in which the accounting period falls (“the relevant financial year”).
- (2) The company may make a declaration in the return for the accounting period that—
- (a) at all earlier times in the relevant financial year—
 - (i) the company had no source of chargeable income (see section 269ZYA(2)), and
 - (ii) if the company is a member of a group, each other member of the group had no source of chargeable income, and
 - (b) the person intends to make a claim under section 269ZYA(3) in respect of the accounting period.

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- (3) Until the declaration ceases to have effect, section 269ZYA has effect as if the company had made a claim under that section.
- (4) The declaration ceases to have effect if—
 - (a) it is withdrawn,
 - (b) it is superseded by a claim made under section 269ZYA, or
 - (c) the company or, if the company is a member of a group, another member of the group, acquires a source of chargeable income before the end of the relevant financial year.
- (5) So far as not previously ceasing to have effect under subsection (4), the declaration ceases to have effect two years after the end of the accounting period in respect of which it is made.
- (6) If the declaration ceases to have effect, all necessary adjustments must be made, by assessment, amendment of returns or otherwise.
- (7) Subsection (6) applies despite any limitation on the time within which assessments or amendments may be made.”

Offshore collective investment vehicles

- 11 In section 269ZZB of CTA 2010 (meaning of “group”), at the end insert—

“(9) For the purposes of the application of this Part in relation to a collective investment vehicle to which paragraph 4 of Schedule 5AAA to TCGA 1992 applies, the reference in paragraph 4(2) of that Schedule to “relevant purposes” is to be treated as including a reference to the purposes of this section.”

Insurance companies: ring fence

- 12 (1) Section 210A of TCGA 1992 (insurance: ring-fencing of losses) is amended as follows.
- (2) In subsection (2), after “to the company”, in the first place it occurs, insert “ as permitted by subsection (2A) ”.
- (3) After subsection (2) insert—
- “(2A) The following deductions may be made from the shareholders' share of the BLAGAB chargeable gains accruing to the company in an accounting period—
- (a) any available non-BLAGAB allowable losses accruing to the company in the period may be deducted under section 2A(1)(a), and
 - (b) after making any deductions within paragraph (a), any available non-BLAGAB allowable losses previously accruing to the company, which have not been allowed as a deduction from chargeable gains accruing in the period or in any previous accounting period, may (subject to section 269ZFC of CTA 2010) be deducted under section 2A(1)(b).
- (2B) But those deductions may not reduce the shareholders' share of BLAGAB chargeable gains below nil.

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(2C) The amount of “available non-BLAGAB allowable losses” accruing to a company in an accounting period is the amount by which the non-BLAGAB allowable losses accruing to the company in the accounting period exceed the non-BLAGAB chargeable gains so accruing.”

(4) In subsection (6)(a)—

- (a) omit “amount by which”, and
- (b) omit “exceeds the shareholders' share of BLAGAB chargeable gains so accruing”.

(5) In subsection (8), in the words before paragraph (a)—

- (a) for “If the” substitute “ If there are ”, and
- (b) omit “exceed the BLAGAB allowable losses so accruing”.

(6) In subsection (8)(b), after “deduction” insert “ , under step 2 of section 75(1) of FA 2012, ”.

(7) For subsection (9) substitute—

“(9) If there are BLAGAB allowable losses accruing to the company in the subsequent accounting period, the amount arrived at under subsection (7) (a) is increased by the shareholders' share of the amount of those allowable losses.”

(8) In subsection (13)—

- (a) in the definition of “BLAGAB allowable losses”, at the end insert “ but excluding any allowable losses deducted under step 2 of section 75(1) of FA 2012 in determining the BLAGAB chargeable gains of the company for an accounting period, ”;
- (b) in the definition of “BLAGAB chargeable gains”, after “means chargeable gains” insert “ (as adjusted for allowable losses in accordance with section 75 of FA 2012) ”.

13 After section 269ZFB of CTA 2010 insert—

“269ZFC Restriction on deductions of non-BLAGAB allowable losses from BLAGAB chargeable gains

- (1) This section has effect for determining the taxable total profits of an insurance company for an accounting period.
- (2) The sum of any deductions of non-BLAGAB allowable losses from the shareholders' share of BLAGAB chargeable gains made by an insurance company for an accounting period under section 2A(1)(b) of TCGA 1992, as permitted by section 210A(2A)(b) of that Act, may not exceed the relevant maximum.
- (3) In this section, the “relevant maximum” means the sum of—
 - (a) 50% of the company's relevant BLAGAB chargeable gains for the accounting period, and
 - (b) the amount of the company's BLAGAB deductions allowance for the accounting period.

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- (4) A company's "relevant BLAGAB chargeable gains" for an accounting period are—
- (a) the shareholders' share of the BLAGAB chargeable gains for the accounting period, after any reduction under section 210A(2A)(a) of TCGA 1992, less
 - (b) the amount of the company's BLAGAB deductions allowance for the accounting period.

But if the allowance mentioned in paragraph (b) exceeds the shareholders' share of the BLAGAB chargeable gains mentioned in paragraph (a), the company's "relevant BLAGAB chargeable gains" for the accounting period are nil.

- (5) A company's "BLAGAB deductions allowance" for an accounting period—
- (a) is so much of the company's deductions allowance for the period as is specified in the company's tax return as its BLAGAB deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company's deductions allowance for the period is so specified.
- (6) An amount specified under subsection (5)(a) as the company's BLAGAB deductions allowance for an accounting period may not exceed the difference between—
- (a) the amount of the company's deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under section 269ZB(7)(a) (trading profits deductions allowance), section 269ZBA(5)(a) (chargeable gains deductions allowance) and section 269ZC(5)(a) (non-trading income profits deductions allowance).
- (7) In this section, "BLAGAB chargeable gains", "insurance company" and "the shareholders' share of BLAGAB chargeable gains" have the same meaning as in section 210A of TCGA 1992."

- 14 (1) Part 7ZA of CTA 2010 is amended in accordance with this paragraph.
- (2) In section 269ZD(2)(b)—
- (a) omit the "and" after sub-paragraph (ia) (inserted by paragraph 4 of this Schedule), and
 - (b) after sub-paragraph (ii) insert "and
 - (ia) any deductions of non-BLAGAB allowable losses from the shareholders' share of BLAGAB chargeable gains made for the accounting period under section 2A(1)(b) of TCGA 1992, as permitted by section 210A(2A)(b) of that Act."
- (3) In section 269ZFB(2), at the end of paragraph (b) insert "and provided that no deductions of non-BLAGAB allowable losses from the shareholders' share of BLAGAB chargeable gains are to be made under section 2A(1)(b) of TCGA 1992, as permitted by section 210A(2A)(b) of that Act."

- 15 In section 95 of FA 2012 (use of non-BLAGAB allowable losses to reduce I-E profit) for "in accordance with section 210A(2) of TCGA 1992" substitute "under

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section 2A(1) of TCGA 1992, as permitted by section 210A(2) and (2A) of that Act, ”.

Oil activities: ring fence

16 In section 197 of TCGA 1992 (disposals of interests in oil fields etc: ring fence provisions), after subsection (4) insert—

“(4A) A deduction in respect of an aggregate loss accruing in a chargeable period that is (in accordance with subsection (4)(b) and (c)) allowable as a deduction against an aggregate gain treated as accruing in a later period is to be ignored for the purposes of section 269ZBA of CTA 2010 (corporate capital loss restriction: restriction on deductions from chargeable gains).”

Clogged losses

17 In section 18 of TCGA 1992 (transactions between connected persons) at the end insert—

“(9) If deductible clogged losses have accrued to a company, the company may make a claim in respect of an accounting period for—

- (a) an amount of the deductible clogged losses to be treated, for the purposes of section 2A(1)(a), as allowable losses accruing in the accounting period, and
- (b) the same amount of allowable losses accruing to the company in the period to be treated, for the purposes of section 2A(1)(b), as allowable losses previously accruing to the company while it was within the charge to corporation tax.

(10) The amount in respect of which the claim is made may not exceed the total amount of any allowable losses accruing to the company in the accounting period for which the claim is made.

(11) In subsection (9), “deductible clogged losses” means losses which would, apart from Part 7ZA of CTA 2010, be deductible under subsection (3) from chargeable gains accruing to the company in an accounting period.

(12) A claim under subsection (9) must be made by being included in the company's tax return for the accounting period for which the claim is made.”

Pre-entry losses

18 (1) Schedule 7A to TCGA 1992 (restriction on set-off of pre-entry losses) is amended in accordance with this paragraph.

(2) In paragraph 6(1)(b), after “from that gain” insert “ (subject to sub-paragraphs (1A) to (1C)) ”.

(3) In paragraph 6(1)(c), after “section 2A(1)” insert “ (subject to sub-paragraphs (1A) to (1C)) ”.

(4) After sub-paragraph (1) insert—

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- “(1A) Sub-paragraph (1B) applies, in respect of an accounting period, if the amount of chargeable gains accruing to the company in the period exceeds the total of—
- (a) the amount of pre-entry losses accruing to the company in the period that are deductible under sub-paragraph (1)(a), and
 - (b) the amount of allowable losses, other than pre-entry losses, accruing to the company in the period.
- (1B) Where this sub-paragraph applies in respect of an accounting period—
- (a) the sum of any deductions under sub-paragraph (1)(b) may not exceed the total of—
 - (i) the amount of pre-entry losses that, on the assumption in sub-paragraph (1C), would be deductible under sub-paragraph (1)(b), and
 - (ii) the amount of allowable losses (other than pre-entry losses) that, on the assumption in sub-paragraph (1C), would be deductible under section 2A(1), and
 - (b) for the purposes of sub-paragraph (1)(c), the deductions made under section 2A(1) may not exceed the difference between—
 - (i) the total of the amounts mentioned in paragraph (a)(i) and (ii), and
 - (ii) the amount of pre-entry losses deducted under sub-paragraph (1)(b).
- (1C) The assumption is that deductions under sub-paragraph (1)(b) are treated for the purposes of Part 7ZA of CTA 2010 (restrictions on obtaining certain deductions) as if they were made under section 2A(1)(b) of this Act.”

Real estate investment trusts

- 19 Part 12 of CTA 2010 (real estate investment trusts) is amended as follows.
- 20 In section 535B (use of pre-April 2019 residual business losses or deficits) at the end insert—
- “(4) In determining, for the purposes of subsection (2)(a), the amount of allowable losses accruing on disposals made before 6 April 2019 which would otherwise have been deducted from gains accruing to residual business of the company, section 269ZBA (restriction on deductions) is to be ignored.”
- 21 In section 550 (attribution of distributions) at the end insert—
- “(4) In determining the amount of relevant non-chargeable gains for the purposes of this section, section 269ZBA (restriction on deductions) is to be ignored.”
- 22 In section 556 (disposal of assets) in subsection (7), for “and 535A” substitute “, 535A and 535B”.

Counteraction of avoidance arrangements

- 23 (1) Section 19 of F(No.2)A 2017 (losses: counteraction of avoidance arrangements) is amended in accordance with this paragraph.

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(2) In subsection (8), before paragraph (a) insert—
“(za) section 2A(1) of TCGA 1992 (allowable capital losses);”.

(3) At the end insert—

“(13) In the case of a tax advantage as a result of a deduction (or increased deduction) under section 2A(1) of TCGA 1992, subsections (10) and (11) have effect as if the references to 1 April 2017 were to 1 April 2020.”

Minor and consequential amendments to Part 7ZA of CTA 2010

24 Part 7ZA of CTA 2010 is amended as follows.

25 (1) Section 269ZB (restriction on deductions from trading profits) is amended in accordance with this paragraph.

(2) In subsection (8), for paragraph (b) substitute—

“(b) the total of—

(i) the amount of the company's total non-trading profits deductions allowance for the period (see section 269ZC(3A)), and

(ii) in the case of an insurance company, any amount specified for the period under section 269ZFC(5)(a) (BLAGAB deductions allowance).”

(3) Omit subsection (9) (meaning of a company's “deductions allowance”).

26 In section 269ZC (restriction on deductions from non-trading profits) omit subsection (7) (meaning of a company's “deductions allowance”).

27 In section 269ZD (restriction on deductions from total profits) omit subsection (6) (meaning of a company's “deductions allowance”).

28 After section 269ZD insert—

“269ZDA References to a company's “deductions allowance”

(1) This section applies for the purposes of sections 269ZB to 269ZD and 269ZFC.

(2) A company's “deductions allowance” for an accounting period is to be determined in accordance with section 269ZR where, at any time in that period—

(a) the company is a member of a group (see section 269ZZB), and

(b) one or more other companies within the charge to corporation tax are members of that group.

(3) Otherwise, a company's “deductions allowance” for an accounting period is to be determined in accordance with section 269ZW.

(4) But subsections (2) and (3) are subject to section 269ZYA (deductions allowance for company without a source of chargeable income).”

29 (1) Section 269ZF (“relevant trading profits” and “relevant non-trading profits”) is amended in accordance with this paragraph.

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- (2) In subsection (2)—
- (a) for “ “relevant non-trading profits””, in both places it occurs, substitute “ “relevant non-trading income profits” ”,
 - (b) in paragraph (a), for “qualifying non-trading profits” substitute “ qualifying non-trading income profits ”, and
 - (c) in paragraph (b) for “non-trading profits deductions allowance” substitute “ non-trading income profits deductions allowance ”.
- (3) In subsection (3), in the words before step 1, for “and qualifying non-trading profits” substitute “ , qualifying non-trading income profits and qualifying chargeable gains ”.
- (4) In subsection (3), in paragraph (3) of step 1—
- (a) for “and relevant non-trading profits” substitute “ , qualifying non-trading income profits and qualifying chargeable gains ”, and
 - (b) for “both” substitute “ each ”.
- (5) In subsection (3), in paragraph (3) of step 2—
- (a) for “and the qualifying non-trading profits” substitute “ , qualifying non-trading income profits and qualifying chargeable gains ”, and
 - (b) for “both” substitute “ each ”.
- (6) In the heading, for “and “relevant non-trading profits”” substitute “ , “total relevant non-trading profits” etc ”.
- 30 (1) Section 269ZFA (“relevant profits”) is amended as follows.
- (2) In subsection (1)(b), for “section 269ZD(6)” substitute “ section 269ZDA ”.
- (3) In subsection (2)—
- (a) in paragraph (a), for “qualifying trading profits and qualifying non-trading profits” substitute “ modified total profits ”, and
 - (b) in paragraph (b), for “in determining” substitute “ which could be relieved against ”.
- 31 In section 269ZG (general insurance companies: excluded accounting periods), in subsection (1), for “269ZE” substitute “ 269ZD ”.
- 32 In section 269ZR (deductions allowance for company in a group), at the end insert—
- “(5) See section 269ZYA for further provision about the deductions allowance for a company without a source of chargeable income which is a member of a group.”
- 33 In section 269ZW (deductions allowance for company not in a group), at the end insert—
- “(4) See section 269ZYA for further provision about the deductions allowance for a company without a source of chargeable income.”
- 34 In section 269ZZ (company tax return to specify amount of deductions allowance), in subsection (2)—
- (a) after “section 269ZB(2),” insert “ 269ZBA(2), ”, and
 - (b) for “or 269ZD(2) or section 124D(1) of FA 2012” substitute “ , 269ZD(2) or 269ZFC(2) ”.

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- 35 (1) Section 269ZZA(1) (excessive specification of deductions allowance: application of section) is amended in accordance with this paragraph.
- (2) After paragraph (b) insert—
“*(ba)* the company's chargeable gains deductions allowance for the period,”.
- (3) In paragraph (c) for “non-trading profits deductions allowance” substitute “ non-trading income profits deductions allowance ”.
- (4) After paragraph (d) insert—
“*(da)* the company's BLAGAB deductions allowance for the period.”
- (5) Omit paragraph (e).

Minor and consequential amendments to Part 7A of CTA 2010

- 36 Part 7A of CTA 2010 (banking companies: restrictions on obtaining certain deductions) is amended as follows.
- 37 (1) Section 269CB (restriction on deductions for non-trading deficits from loan relationships) is amended as follows.
- (2) In subsection (2)—
(a) for “relevant non-trading profits”, in both places it occurs, substitute “ total relevant non-trading profits ”, and
(b) for “subsection (2)” substitute “ subsection (2B) ”.
- (3) In subsection (3), for “relevant non-trading profits”, in both places it occurs, substitute “ total relevant non-trading profits ”.
- 38 In section 269CN (definitions)—
(a) omit the definition of “relevant non-trading profits”, and
(b) at the end insert—
““total relevant non-trading profits”, in relation to a company, has the meaning given by section 269ZF(2B).”

PART 2 U.K.

CORPORATE CAPITAL LOSS DEDUCTIONS: MISCELLANEOUS PROVISION

Companies without a source of chargeable income: carry back of losses

- 39 In section 2A of TCGA 1992 (company's total profits to include chargeable gains), after subsection (2) insert—
“(3) Subsection (4) applies if—
(a) a company has two or more accounting periods that fall wholly within the same financial year,
(b) the company is chargeable to corporation tax for each of those accounting periods only because of a chargeable gain accruing to the company on the disposal of asset, and

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(c) in the period (if any) between each of those accounting periods, the company is not within the charge to corporation tax.

(4) For the purposes of determining the amount of chargeable gains to be included in the company's total profits for each of the accounting periods by reference to which this subsection applies, subsection (1) has effect as if after paragraph (a) (before the “and”) there were inserted—

“(aa) so far as not otherwise deducted under this section, any allowable losses accruing to the company in another accounting period that falls wholly within the same financial year as the period mentioned in paragraph (a),”.

Insurance companies: minor amendments to TCGA 1992 and FA 2012

40 In section 210A of TCGA 1992, in subsection (10C), for the words from “In determining” to “an accounting period” substitute “ For the purposes of subsections (10A) and (10B) ”.

41 In section 93 of FA 2012 (minimum profits test), at the end insert—

“(6) For the purposes of this section, assume that non-BLAGAB allowable losses cannot be deducted to any extent from BLAGAB chargeable gains (and, accordingly, assume that section 95 is not included in this Act).”

PART 3 U.K.

COMMENCEMENT AND ANTI-FORESTALLING PROVISION

Commencement

42 The amendments made by this Schedule have effect in relation to accounting periods beginning on or after 1 April 2020.

43 (1) Paragraph 44 applies where a company has an accounting period beginning before 1 April 2020 and ending on or after that date (the “straddling period”).

(2) For the purposes of paragraph 44—

- (a) the “pre-commencement period” means the part of the straddling period falling before 1 April 2020, and
- (b) the “post-commencement period” means the part of the straddling period falling on or after that date.

44 (1) The amount of chargeable gains to be included in the company's total profits for the straddling period is the total of—

- (a) the chargeable gains accruing to the company in the pre-commencement period, after making any deductions under section 2A(1) of TCGA 1992, and
- (b) the chargeable gains accruing to the company in the post-commencement period, after making any deductions under that section.

(2) For the purposes of sub-paragraph (1)(a) and (b), section 2A of TCGA 1992 applies as if the pre-commencement period and the post-commencement period were separate accounting periods, subject to the modification in sub-paragraph (3).

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- (3) For the purposes of determining the amount to be included in the company's total profits in respect of chargeable gains for a period, the reference in section 2A(1)(a) of TCGA 1992 to any allowable losses accruing to the company in the period is to be treated as including—
- (a) for the purposes of the pre-commencement period, a reference to any allowable losses accruing to the company in the post-commencement period so far as they exceed the chargeable gains accruing to the company in the post-commencement period, and
 - (b) for the purposes of the post-commencement period, a reference to any available allowable losses accruing to the company in the pre-commencement period so far as they exceed the chargeable gains accruing to the company in the pre-commencement period.
- (4) For the purposes of applying Part 7ZA of CTA 2010 in relation to the straddling period—
- (a) section 269ZBA of that Act applies in relation to the post-commencement period as if it were a separate accounting period,
 - (b) the reference in section 269ZF(4)(h) to deductions under section 2A(1)(b) of TCGA 1992 is to be treated as if it were a reference only to deductions under that provision from the chargeable gains of the post-commencement period, and
 - (c) the reference in step 3(c) of section 269ZF to the chargeable gains included in the company's total profits is to be treated as if it were a reference to the total of—
 - (i) the chargeable gains accruing to the company in the pre-commencement period, after making any deductions under section 2A(1)(a) or (b) of TCGA 1992, and
 - (ii) the chargeable gains accruing to the company in the post-commencement period, after making any deductions under section 2A(1)(a) of that Act.
- 45 (1) This paragraph applies in relation to a non-UK resident company which carries on a UK property business or has other UK property income—
- (a) if the conditions in sub-paragraph (2) are met, and
 - (b) unless the company has elected that this paragraph is not to apply.
- (2) The conditions are met if the company—
- (a) is within the charge to income tax for the tax year 2019-20,
 - (b) is chargeable to corporation tax for an accounting period falling wholly within the period beginning with 1 April 2020 and ending with 5 April 2020 because of a chargeable gain accruing to the company on the disposal of an asset, and
 - (c) is within the charge to corporation tax on income for an accounting period beginning on 6 April 2020.
- (3) For the purposes of determining the amount to be included in the company's total profits in respect of chargeable gains for an accounting period mentioned in sub-paragraph (2)(b) or (2)(c), the reference in section 2A(1)(a) of TCGA 1992 to any allowable losses accruing to the company in the period is to be treated as including—
- (a) for the purposes of an accounting period mentioned in sub-paragraph (2)
 - (b), a reference to any allowable losses accruing to the company in the

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- accounting period mentioned in sub-paragraph (2)(c) (so far as those losses are not otherwise deducted under section 2A(1) of TCGA 1992), and
- (b) for the purposes of the accounting period mentioned in sub-paragraph (2)(c), a reference to any allowable losses accruing to the company in an accounting period mentioned in sub-paragraph (2)(b) (so far as those losses are not otherwise deducted under section 2A(1) of TCGA 1992).
- (4) For the purposes of the application of Part 7ZA of CTA 2010 in relation to the accounting periods mentioned in sub-paragraphs (2)(b) and (2)(c)—
- (a) section 269ZYA of CTA 2010 (deductions allowance for company without a source of chargeable income) applies as if the company had made a claim under that section in respect of each accounting period mentioned in sub-paragraph (2)(b), and
- (b) the company's deductions allowance for the accounting period mentioned in sub-paragraph (2)(c) is treated as being reduced by the amount of the company's deductions allowance for each accounting period mentioned in sub-paragraph (2)(b).

Anti-forestalling provision

- 46 (1) This sub-paragraph applies if—
- (a) a company has an accounting period ending before 1 April 2020,
- (b) the company would, apart from this paragraph, obtain a tax advantage as a result of a deduction, or an increased deduction, under section 2A(1)(b) of TCGA 1992,
- (c) the tax advantage arises as a result of arrangements entered into on or after 29 October 2018, and
- (d) the main purpose, or one of the main purposes, of the arrangements is to secure a tax advantage as a result of the fact that section 269ZBA of CTA 2010, inserted by this Schedule, is not to have effect for the accounting period for which the deduction would be made.
- (2) If sub-paragraph (1) applies, the deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 may not exceed 50% of the company's qualifying chargeable gains for the period.
- (3) So far as necessary for the purposes of this paragraph, Part 7ZA of CTA 2010 is treated as having come into force on the same day as this paragraph.
- (4) This paragraph is treated as having come into force on 29 October 2018.
- (5) Where a company has a straddling period, the pre-commencement period and the post-commencement period are treated for the purposes of this paragraph as separate accounting periods.
- (6) In this paragraph—
- (a) “arrangements” includes any agreement, understanding, scheme transaction or series of transactions (whether or not legally enforceable),
- (b) “straddling period”, “pre-commencement period” and “post-commencement period” have the same meaning as they have for the purposes of paragraph 44, and
- (c) “tax advantage” has the meaning given by section 1139 of CTA 2010.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2020, SCHEDULE 4.