
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2020, Cross
Heading: Restriction on deduction from chargeable gains: main provisions. (See end of Document for details)

SCHEDULES

SCHEDULE 4

CORPORATE CAPITAL LOSSES

PART 1

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).”

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