SCHEDULES

SCHEDULE 2

TEMPORARY EXTENSION OF PERIODS TO WHICH TRADE LOSSES MAY BE CARRIED BACK

PART 1

INCOME TAX

Relief for trade losses made in tax year 2020-21

1 (1) A person who has made a loss in a trade in the tax year 2020-21 may make a claim for relief under this paragraph if—

(a) some or all of the loss ("the section 64 amount") is an amount in respect of which the person is entitled to make a claim under section 64 of ITA 2007 (trade loss relief against general income) or would be so entitled were there sufficient income from which to deduct it, and

(b) condition A or B is met.

(2) Condition A is that the person makes a claim under section 64 of ITA 2007 for relief in respect of the section 64 amount for either or both of the tax years 2019-20 and 2020-21.

(3) Condition B is that the person's total income for the tax years 2019-20 and 2020-21—

(a) is nil, or

(b) does not include any income from which a deduction could be made in pursuance of a claim under section 64 of ITA 2007 in respect of the section 64 amount.

(4) The amount of the loss that may be relieved under this paragraph ("the deductible amount") is—

(a) if condition A is met, so much of the section 64 amount as cannot be relieved pursuant to the claim under section 64 of ITA 2007;

(b) if condition B is met, the whole of the section 64 amount.

But see sub-paragraph (9) (limit on total deductions under this paragraph).

(5) A claim for relief under this paragraph is for the deductible amount to be deducted (in accordance with whichever is applicable of sub-paragraphs (7) and (8)) in calculating the person's net income for one or more of the tax years 2017-18, 2018-19 and 2019-20 at Step 2 of the calculation in section 23 of ITA 2007 (which applies as if this paragraph were a provision listed in section 24 of that Act).

(6) A deduction is to be made only from the profits of the trade (and accordingly subsection (2) of section 25 of ITA 2007 has effect as if this sub-paragraph were included in subsection (3) of that section).

Changes to legislation: *There are currently no known outstanding effects for the Finance Act 2021, Cross Heading: Relief for trade losses made in tax year 2020-21. (See end of Document for details)*

(7) This sub-paragraph explains how the deductions are to be made in a case where the person makes a claim under section 64 of ITA 2007 for relief in respect of the section 64 amount for the tax year 2019-20.

Step 1 Deduct the deductible amount from the profits of the trade for the tax year 2018-19.

Step 2 Deduct from the profits of the trade for the tax year 2017-18 so much of the deductible amount as has not been deducted under Step 1.

(8) This sub-paragraph explains how the deductions are to be made in any other case.

Step 1 Deduct the deductible amount from the profits of the trade for the tax year 2019-20.

Step 2 Deduct from the profits of the trade for the tax year 2018-19 so much of the deductible amount as has not been deducted under Step 1.

Step 3 Deduct from the profits of the trade for the tax year 2017-18 so much of the deductible amount as has not been deducted under Step 1 or 2.

(9) The total amount that may be deducted in accordance with sub-paragraph (7), or in accordance with Steps 2 and 3 in sub-paragraph (8), is limited to £2,000,000.

(10) A claim for relief under this paragraph must be made on or before the first anniversary of the normal self-assessment filing date for the tax year 2020-21.

Changes to legislation:
There are currently no known outstanding effects for the Finance Act 2021, Cross Heading: Relief for trade losses made in tax year 2020-21.