



Income Tax Act 2007

2007 CHAPTER 3

PART 4

LOSS RELIEF

CHAPTER 2

TRADE LOSSES

Terminal trade loss relief

89 Carry back of losses on a permanent cessation of a trade

- (1) A person may make a claim for terminal trade loss relief if the person—
 - (a) permanently ceases to carry on a trade in a tax year (“the final tax year”), and
 - (b) makes a terminal loss in the trade (see section 90).
- (2) The claim is for the total amount of terminal losses made in the trade by the person (“the relievable loss”) to be deducted in calculating the person's net income for the final tax year and the 3 previous tax years (see Step 2 of the calculation in section 23).
- (3) But a deduction for that purpose is to be made only from profits of the trade.
- (4) This section applies to professions and vocations as it applies to trades (and sections 90 and 91 are to be read accordingly).
- (5) This section needs to be read with—
 - (a) section 91 (how relief works),
 - (b) section 92 (use of trade-related interest and dividends if trade profits insufficient),
 - (c) section 93 (mineral extraction trade and carry back of balancing allowances), and
 - (d) section 94 (carry back of certain interest as loss).

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Modifications etc. (not altering text)

C1 Ss. 89-91 applied (with application in accordance with Sch. 1 para. 64 of the amending Act) by Finance Act 2022 (c. 3), **Sch. 1 para. 71(2)**

90 Losses that are “terminal losses”

- (1) Each of the following is a terminal loss made in the trade—
 - (a) the loss (if any) made in the trade in the period beginning with the start of the final tax year and ending with the cessation, and
 - (b) the loss (if any) made in the trade in the period consisting of so much of the previous tax year as falls in the 12 months prior to the cessation.
- (2) The profit or loss of a period mentioned in subsection (1)(a) or (b) (a “terminal loss period”) is determined by reference to the profits or losses of periods of account of the trade (calculated for income tax purposes).
- (3) If no period of account coincides with a terminal loss period, any of the following steps may be taken if they are necessary in order to arrive at the profit or loss of the terminal loss period—
 - (a) apportioning the profit or loss of a period of account between the part of the period that falls in the terminal loss period and the part that does not, and
 - (b) adding the profit or loss of a period of account (or part of a period) to profits or losses of other periods of account (or parts).
- (4) Section 203(3) and (4) of ITTOIA 2005 applies for the purposes of subsection (3) as it applies for the purposes of section 203(2) of that Act.
- (5) If as a result of section 205 of ITTOIA 2005 a deduction is allowed for overlap profit in calculating the profits of the trade of the final tax year, that deduction is to be made in calculating the loss (if any) mentioned in subsection (1)(a) (and is therefore irrelevant for the purposes of subsection (1)(b)).
- (6) In the case of a notional trade carried on by a partner in a firm—
 - (a) the periods of account of the notional trade are taken to be the periods of account of the actual trade, and
 - (b) the references in subsections (2) and (3) to the profits or losses of periods of account of the trade are to the partner's share of the profits or losses of the actual trade determined in accordance with sections 849 and 850 of ITTOIA 2005.

Modifications etc. (not altering text)

C1 Ss. 89-91 applied (with application in accordance with Sch. 1 para. 64 of the amending Act) by Finance Act 2022 (c. 3), **Sch. 1 para. 71(2)**

91 How relief works

This section explains how the deductions are to be made. The amount of the relievable loss to be deducted at any step is limited in accordance with section 25(4) and (5).

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Step 1

Deduct the relievable loss from the profits of the trade of the final tax year.

Step 2

Deduct any part of the relievable loss not deducted at Step 1 from the profits of the trade of the previous tax year.

Step 3

Deduct any part of the relievable loss not deducted at Step 1 or 2 from the profits of the trade of the tax year before the previous one.

Step 4

Deduct any part of the relievable loss not deducted at Step 1, 2 or 3 from the profits of the trade of the tax year before that one.

Other claims

If the relievable loss has not been deducted in full at Steps 1 to 4, the person may use the part not so deducted in giving effect to any other relief under this Chapter (depending on the terms of the relief).

Modifications etc. (not altering text)

- C1** [Ss. 89-91](#) applied (with application in accordance with Sch. 1 para. 64 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 1 para. 71\(2\)](#)

92 Use of trade-related interest and dividends if trade profits insufficient

- (1) This section applies if terminal trade loss relief cannot be fully given in relation to the profits of a trade of a tax year because (apart from this section) there are no profits, or insufficient profits, of the trade of the tax year.
- (2) For the purposes of the relief any interest or dividends for the tax year that relate to the trade are treated as profits of the trade of the tax year.
- (3) Interest or dividends for the tax year relate to the trade if they—
 - (a) arise in the tax year, and
 - (b) would be brought into account in calculating the profits of the trade but for the fact that they have been subjected to tax under other provisions of the Income Tax Acts.

93 Mineral extraction trade and carry back of balancing allowances

- (1) This section applies if—
 - (a) a person permanently ceases to carry on a mineral extraction trade, and
 - (b) the person makes a claim for terminal trade loss relief and a claim in respect of a balancing allowance under section 355 of CAA 2001.
- (2) Terminal trade loss relief must be given before relief under section 355 of CAA 2001.

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- (3) In giving effect to the terminal trade loss relief, the balancing allowance is to be ignored.
- (4) “Mineral extraction trade” has the same meaning as in Part 5 of CAA 2001 (see section 394 of that Act).

94 Carry back of certain interest as loss

- (1) This section applies if—
 - (a) an individual pays interest in a tax year which is eligible for relief under section 383 (as a result of section 388 or 398),
 - (b) the interest is an expense incurred wholly and exclusively for the purposes of a trade carried on wholly or partly in the United Kingdom, and
 - (c) relief under section 383 cannot be fully given in respect of the interest because there is no income or insufficient income in the tax year.
- (2) For the purposes of terminal trade loss relief, the amount for which relief has not been given may be treated as a loss made in the trade at the date of payment.
- (3) This section applies to professions and vocations as it applies to trades.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)