



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 14

#### CHANGE IN COMPANY OWNERSHIP

#### [<sup>F1</sup>CHAPTER 2A

#### POST-1 APRIL 2017 LOSSES: FURTHER CASES INVOLVING A CHANGE IN THE COMPANY'S ACTIVITIES

##### Textual Amendments

- F1** Pt. 14 Ch. 2A inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 75](#)

#### **676AA Introduction to Chapter**

- (1) This Chapter applies if conditions 1 and 2 are met.
- (2) Condition 1 is that on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).
- (3) Condition 2 is that a major change in the business of the transferred company or a co-transferred company occurs within the required period but not before 1 April 2017.
- (4) The required period is—
  - (a) for the purposes of section 676AF, any period beginning no more than 3 years before the change in ownership occurs which is a period of 5 years in which that change occurs,
  - (b) for the purposes of sections 676AG to 676AK, the period of 8 years beginning 3 years before the change in ownership.
- (5) In this Chapter—

---

*Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 2A. (See end of Document for details)*

---

“the change in ownership” means the change in ownership mentioned in subsection (2);

“the transferred company” has the meaning given by subsection (2);

“trade” includes an office.

### **676AB Priority of provisions of Chapters 2 and 3 over this Chapter**

(1) If and so far as —

- (a) a relevant provision of this Chapter, and
- (b) a relevant provision of Chapter 2 or 3,

would each (if the other provision were ignored) apply in relation to the same loss or other amount, the relevant provision of this Chapter does not apply in relation to that amount.

(2) In this section “relevant provision”—

- (a) in relation to this Chapter means any of the provisions of sections 676AF to 676AK;
- (b) in relation to Chapters 2 and 3 means any of the provisions of sections 674 and 679 to 683.

### **676AC “Major change in the business” of a company**

(1) In this Chapter references to a “major change in the business” of a company include—

- (a) a major change in the nature or conduct of any trade or business carried on by the company,
- (b) a major change in the scale of any trade or business carried on by the company, and
- (c) beginning or ceasing to carry on a particular trade or business.

(2) In subsection (1) the reference to a major change in the “nature or conduct” of a trade or business includes—

- (a) a major change in the type of property dealt in, or services or facilities provided in, the trade or business concerned,
- (b) a major change in customers, outlets or markets of the trade or business concerned,
- (c) a major change in the nature of the investments held by the company for the purposes of an investment business.

(3) The definitions in subsections (1) and (2) apply even if the change is the result of a gradual process which began before the period of 5 years mentioned in section 676AA(4)(a) or (as the case may be) the period of 8 years mentioned in section 676AA(4)(b).

(4) Where the condition in subsection (5) is met in the case of any two companies, the transfer of a trade or business, or any property, from one of them to the other is to be disregarded in determining for the purposes of section 676AA(3) whether or not there is a major change in the business of either of those companies.

(5) The condition is that the companies are related to one another both—

- (a) immediately before the change in ownership, and
- (b) at the time of the transfer mentioned in subsection (4).

---

*Changes to legislation:* There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 2A. (See end of Document for details)

---

### **676AD Notional split of accounting period in which change in ownership occurs**

- (1) This section applies for the purposes of this Chapter.
- (2) The accounting period in which the change in ownership occurs (“the actual accounting period”) is treated as two separate accounting periods (“notional accounting periods”), the first ending with the change and the second consisting of the remainder of the period.
- (3) Section 685 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 3.
- (4) The amounts for the actual accounting period in column 1 of the table in section 685(2) are apportioned to the two notional accounting periods in accordance with section 685.
- (5) In this Chapter, and in sections 685 and 686 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

### **676AE “Affected profits”**

- (1) This section has effect for the purposes of this Chapter.
- (2) Profits of an accounting period ending after the change in ownership are “affected profits” if and so far as—
  - (a) they arise before the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs, and
  - (b) they can fairly and reasonably be attributed to activities, or other sources of income, as a result of which, or partly as a result of which, the major change referred to in section 676AA(3) has occurred.
- (3) If an accounting period of the company begins before, and ends after, the anniversary mentioned in subsection (2), then for the purposes of that subsection—
  - (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (4) Any apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

### **676AF Restriction on use of carried-forward post-1 April 2017 trade losses**

- [ A loss made by the transferred company in an accounting period beginning before
- <sup>F2</sup>(1) the change in ownership may not be deducted from affected profits of an accounting period ending after the change in ownership under any of the following provisions—
    - (a) section 45A(5) (carry-forward of post-1 April 2017 trade losses),
    - (b) section 45F(3) (carried-forward losses: terminal relief),
    - (c) section 303C(3) (excess carried-forward non-decommissioning losses of ring fence trade), and

---

*Changes to legislation:* There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 2A. (See end of Document for details)

---

(d) section 124B(3) of FA 2012 (excess carried-forward BLAGAB trade losses).]

[ A loss made by another company (“the predecessor company”) in an accounting period <sup>F3</sup>(2) beginning before the change in ownership may not be deducted from affected profits of an accounting period ending after the change in ownership under any of the provisions mentioned in paragraphs (a) to (c) of subsection (1) (as applied by virtue of Chapter 1 of Part 22 (transfers of trades)).]

#### Textual Amendments

- F2** S. 676AF renumbered as s. 676AF(1) (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 10 para. 29\(a\)](#)
- F3** S. 676AF(2) inserted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 10 para. 29\(b\)](#)

#### **676AG Restriction on debits to be brought into account**

- (1) This section has effect for the purpose of restricting the debits to be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of the transferred company's loan relationships.
- (2) The debits to be brought into account for the purposes of Part 5 of CTA 2009 for—
  - (a) the accounting period beginning immediately after the change in ownership, or
  - (b) any subsequent accounting period,
 do not include relevant non-trading debits so far as amount A exceeds amount B.
- (3) Amount A is the sum of—
  - (a) the amount of those relevant non-trading debits, and
  - (b) the amount of any relevant non-trading debits which have been brought into account for the purposes of that Part for any previous accounting period ending after the change in ownership.
- (4) Amount B is the amount of the taxable total profits of the accounting period ending with the change in ownership.
- (5) For the meaning of “relevant non-trading debit”, see section 730.

#### **676AH Restriction on the carry forward of post-1 April 2017 non-trading deficit from loan relationships**

- (1) This section has effect for the purpose of restricting the carry forward under Chapter 16A of Part 5 of CTA 2009 (non-trading deficits: post 1 April 2017 deficits) of a pre-acquisition non-trading deficit from the transferred company's loan relationships.
- (2) For the purposes of this section an amount is a “pre-acquisition” non-trading deficit from a company's loan relationships if it is a non-trading deficit from the company's loan relationships for an accounting period beginning before the change in ownership.
- (3) Subsection (4) applies if, in the case of a pre-acquisition non-trading deficit from the transferred company's loan relationships, the non-trading deficit in column 1 of row 4 of the table in section 685(2) is apportioned in accordance with section 685(2) to the first notional accounting period.

---

*Changes to legislation:* There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 2A. (See end of Document for details)

---

- (4) None of that deficit may, by virtue of section 463G (carry forward of unrelieved deficit), be set off against affected profits of—
- (a) the accounting period beginning immediately after the change in ownership, or
  - (b) any subsequent accounting period.

#### **676AI Restriction on relief for post-1 April 2017 non-trading loss on intangible fixed assets**

- (1) This section has effect for the purpose of restricting relief under section 753 of CTA 2009 (treatment of non-trading losses) in respect of a relevant non-trading loss on intangible fixed assets.
- (2) An amount is a “relevant non-trading loss on intangible fixed assets” if and so far as—
  - (a) it is by virtue of section 751 of CTA 2009 a non-trading loss on intangible fixed assets for a relevant pre-acquisition accounting period, or
  - (b) it is made up of an amount falling within paragraph (a) which has been carried forward under section 753(3) of CTA 2009.
- (3) “Relevant pre-acquisition accounting period” means an accounting period beginning—
  - (a) before the change in ownership, and
  - (b) on or after 1 April 2017.
- (4) In the case of a relevant non-trading loss on intangible fixed assets, relief under section 753 of CTA 2009 against the total profits of the actual accounting period is available only in relation to each of the notional accounting periods considered separately.
- (5) A relevant non-trading loss on intangible fixed assets may not be deducted as a result of section 753(3) of CTA 2009 (losses carried forward) from affected profits of an accounting period ending after the change in ownership.

#### **676AJ Restriction on deduction of post-1 April 2017 expenses of management**

- (1) This section has effect for the purpose of restricting deductions for post-1 April 2017 relevant expenses of management of the transferred company.
- (2) Any amounts which—
  - (a) are, or are treated as, expenses of management referable to the actual accounting period, and
  - (b) are apportioned to either of the two notional accounting periods in accordance with section 685,are treated for the purposes of Chapter 2 of Part 16 of CTA 2009 (companies with investment business) as expenses of management referable to that notional accounting period.
- (3) Any allowances which are apportioned to either of the notional accounting periods in accordance with section 685 are treated for the purposes of section 253 of CAA 2001 and section 1233 of CTA 2009 (companies with investment business: excess capital allowances) as falling to be made in that notional accounting period.

---

*Changes to legislation:* There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 2A. (See end of Document for details)

---

- (4) In calculating the taxable total profits of an accounting period of the transferred company ending after the change in ownership—
- (a) relevant expenses of management, and
  - (b) relevant allowances,
- may not be deducted from affected profits of the accounting period.
- (5) In this section “relevant expenses of management” means expenses of management which are first deductible under section 1219 of CTA 2009 for an accounting period beginning—
- (a) on or after 1 April 2017, and
  - (b) before the change in ownership.
- (6) In this section “relevant allowances” means allowances falling to be made for an accounting period beginning—
- (a) on or after 1 April 2017, and
  - (b) before the change in ownership.

#### **676AK Restriction on use of post-1 April 2017 UK property business losses**

- (1) This section has effect for the purpose of restricting relief under sections 62 and 63 for a relevant UK property business loss made by the transferred company.
- (2) In this section “relevant UK property business loss” means a loss made in a UK property business in an accounting period beginning—
  - (a) on or after 1 April 2017, and
  - (b) before the change in ownership.
- (3) In relation to a relevant UK property business loss, relief under section 62(3) is available only in relation to each of the notional accounting periods considered separately.
- (4) A relevant UK property business loss may not be deducted as a result of section 62(5) or 63(3) from affected profits of an accounting period ending after the change in ownership.

#### **676AL “Co-transferred company” and “related company”**

- (1) In this Chapter “co-transferred company” means any company which is related to the transferred company both immediately before and immediately after the change in ownership.
- (2) For the purposes of this Chapter any two companies (“T”) and (“C”) are “related” to one another at any time when—
  - (a) the group condition is met in relation to T and C, or
  - (b) any of consortium conditions 1 to 4 is met in relation to T and C,
 (whether on the assumption that T is the claimant company and C is the surrendering company or vice versa).
- (3) In this Chapter—
  - “consortium condition 1” is to be interpreted in accordance with section 188CF,
  - “consortium condition 2” is to be interpreted in accordance with section 188CG,

**Changes to legislation:** There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 2A. (See end of Document for details)

---

“consortium condition 3” is to be interpreted in accordance with section 188CH,  
“consortium condition 4” is to be interpreted in accordance with section 188CI,  
“the group condition” is to be interpreted in accordance with section 188CE.]

**Changes to legislation:**

There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 2A.