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SCHEDULES

SCHEDULE 4

RELIEF FOR CARRIED-FORWARD LOSSES

PART 9

TAX AVOIDANCE

Change in company ownership

- 70 Part 14 of CTA 2010 (change in company ownership) is amended as follows.
- 71 In section 672 (overview of Part) after subsection (1) insert—
- “(1A) Chapter 2A restricts relief in some further cases involving a change in the company's activities.
- (1B) Chapter 2B restricts relief for trading losses in some cases involving the transfer of an asset.
- (1C) Chapters 2C and 2D restrict group relief for carried-forward losses in some cases.
- (1D) Chapter 2E restricts relief for trading losses in some cases involving the transfer of a trade.”
- 72 (1) Section 673 (introduction to Chapter 2: disallowance of trading losses) is amended as follows.
- (2) In subsection (2), for “of 3 years in which the change in ownership” substitute “beginning no more than 3 years before the change in ownership occurs which is a period of 5 years in which that change”.
- (3) In subsection (4), in the words after paragraph (b), for “3” substitute “5”.
- (4) The amendments made by this paragraph do not have effect unless both the change in ownership referred to in section 673(1) and the major change in the nature or conduct of a trade referred to in section 673(2) occur on or after 1 April 2017.
- 73 (1) Section 674 (disallowance of trading losses) is amended as follows.
- (2) In subsection (2), after “45” insert “, 45B, 303B or 303D”.
- (3) After subsection (2) insert—
- “(2A) No relief may be given under section 45A or 303C for a loss made by the company in an accounting period beginning before the change in ownership by carrying forward the loss and deducting it from a company's total profits of an accounting period ending after the change in ownership.”

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74 After section 674 insert—

“674A Section 674: exception for certain losses of ring fence trade

- (1) Section 674 does not prevent relief being given for a loss if—
- (a) the loss is made in a ring fence trade,
 - (b) the loss is not a non-decommissioning loss,
 - (c) it is condition A in section 673 that is met, and
 - (d) the major change by reference to which that condition is met did not occur within a period of 3 years in which the change in ownership occurred.
- (2) In this section—
- “non-decommissioning loss” is to be interpreted in accordance with section 303A;
- “ring fence trade” has the same meaning as in Part 8 (see section 277).”

75 After Chapter 2 insert—

“CHAPTER 2A

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

Introduction to Chapter

676A~~A~~) 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—
- “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.

Priority of provisions of Chapters 2 and 3 over this Chapter

676A~~B~~) If and so far as —

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- (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.

“Major change in the business” of a company

676A(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).

Notional split of accounting period in which change in ownership occurs

676A(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

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(“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.

“Affected profits”

676A(E) 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.

Restriction on use of carried-forward post-1 April 2017 trade losses

676AF A loss made by the transferred company in an accounting period 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 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
- (d) section 124B(3) of FA 2012 (excess carried-forward BLAGAB trade losses).

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Restriction on debits to be brought into account

- 676A(G) 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.

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

- 676A(H) 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.
- (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.

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Restriction on relief for post-1 April 2017 non-trading loss on intangible fixed assets

- 676A(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.

Restriction on deduction of post-1 April 2017 expenses of management

- 676A(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.
- (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,

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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.

Restriction on use of post-1 April 2017 UK property business losses

- 676A(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.

“Co-transferred company” and “related company”

- 676A(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,
 - “consortium condition 3” is to be interpreted in accordance with section 188CH,

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“consortium condition 4” is to be interpreted in accordance with section 188CI,

“the group condition” is to be interpreted in accordance with section 188CE.”

76 After Chapter 2A insert—

“CHAPTER 2B

ASSET TRANSFERRED WITHIN GROUP: RESTRICTION OF RELIEF FOR POST-1 APRIL TRADE LOSSES

Introduction to Chapter

676B(A) This section applies if there is a change in the ownership of a company (“the company”) on or after 1 April 2017 and—

- (a) conditions 1 and 2 are met, or
- (b) condition 3 is met.

(2) Condition 1 is that after the change in ownership the company acquires an asset from another company in circumstances such that—

- (a) section 171 of TCGA 1992 (no gain/no loss transfer within group), or
- (b) section 775 of CTA 2009 (tax-neutral transfer within group),

applies to the acquisition.

(3) Condition 2 is that—

- (a) in a case within subsection (2)(a), a chargeable gain accrues to the company on a disposal of the asset within the period of 5 years beginning with the change in ownership, or
- (b) in a case within subsection (2)(b), there is a non-trading chargeable realisation gain on the realisation of the asset within that period.

(4) Condition 3 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (notional transfers within a group).

(Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)

(5) For the purposes of subsection (3), an asset (P) acquired by the company as mentioned in subsection (2) is treated as the same as an asset (Q) owned at a later time by the company if the value of Q is derived in whole or in part from P.

(6) In particular, P is treated as the same as Q for those purposes if—

- (a) Q is a freehold,
- (b) P was a leasehold, and
- (c) the lessee has acquired the reversion.

(7) In this Chapter—

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“the change in ownership” means the change in ownership mentioned in subsection (1),

“the company” has the same meaning as in this section,

“non-trading chargeable realisation gain” means a chargeable realisation gain (within the meaning of Part 8 of CTA 2009 (intangible fixed assets)) which is a non-trading credit for the purposes of that Part (see section 746 of that Act),

“realisation” has the meaning given by section 734 of CTA 2009, and

“the relevant gain” means the gain (or amount of a gain) within subsection (3)(a) or (b) or (4).

Notional split of accounting period in which change in ownership occurs

676B(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 702 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 4.
- (4) The amounts for the actual accounting period in column 1 of the table in section 702(2) are apportioned to the two notional accounting periods in accordance with section 702.
- (5) In this Chapter, and in sections 702 and 703 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

Disallowance of relief for trade losses

676B(1) This section has effect for the purposes of restricting relief under sections 45A, 45F and 303C of this Act and section 124B of FA 2012 for a loss made by the company in a trade before the change in ownership.

- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period in which the relevant gain accrues or arises.
- (3) Relief under section 45A or 303C of this Act or section 124B of FA 2012 is available only in relation to each of the notional accounting periods considered separately.
- (4) A loss made in an accounting period beginning before the change in ownership—
 - (a) may not be deducted as a result of section 45A or 303C of this Act or section 124B of FA 2012 from so much of the total profits of an accounting period ending after the change in ownership as represents the relevant gain;

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- (b) may not be deducted by virtue of paragraph (a) of the definition of “relevant profits” in section 45F(7) from so much of the total profits of an accounting period ending after the change in ownership as represents the relevant gain.

Meaning of “the relevant provisions”

676BD In this Chapter “the relevant provisions” means—

- (a) section 8(1) of, and Schedule 7A to, TCGA 1992 (amounts included in respect of chargeable gains in total profits), or
- (b) Chapter 6 of Part 8 of CTA 2009 (intangible fixed assets: how credits and debits are given effect).

Meaning of “amount of profits which represents a relevant gain”

676BE) In this Chapter, the amount of any profits which represents a relevant gain is found by comparing—

- (a) the amount (“Y”) of the relevant gain, with
- (b) the amount (“Z”) which is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains for the accounting period concerned.

(2) If Y does not exceed Z, the amount of the profits which represents the relevant gain equals Y.

(3) If Y exceeds Z, the amount of those profits equals Z.”

77 After Chapter 2B insert—

“CHAPTER 2C

DISALLOWANCE OF GROUP RELIEF FOR CARRIED-FORWARD LOSSES: GENERAL PROVISION

Introduction to Chapter

676CA) This Chapter applies if on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).

(2) In this Chapter—

“the change in ownership” means the change in ownership mentioned in subsection (1);

“the transferred company” has the meaning given by subsection (1).

Restriction on surrender of carried-forward losses

676CB) Subsection (3) applies if a company (“the claimant company”) would, (apart from this section), be eligible under Part 5A to make a relevant claim for group relief for carried-forward losses.

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- (2) For the purposes of this section a claim for group relief for carried-forward losses is a “relevant claim” if it is—
 - (a) for an accounting period ending after the change in ownership, and
 - (b) in respect of an amount surrendered by the transferred company or a co-transferred company which is a relevant pre-acquisition loss.
- (3) The general rule is that the relief is not available.
- (4) The general rule is subject to the exceptions in sections 676CD and 676CE.
- (5) For the purposes of this section—
 - (a) the accounting period of the company mentioned in subsection (2)
 - (b) in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change 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.
- (6) Any apportionment under subsection (5)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (7) 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.

Cases where consortium condition 1 or 2 was previously met

- 676C(1) Subsection (4) applies in relation to a claim for group relief for carried-forward losses by the transferred company if conditions A and B are met.
- (2) Condition A is that the claim is—
 - (a) for an accounting period ending after the change in ownership, and
 - (b) in respect of a relevant pre-acquisition loss.
 - (3) Condition B is that consortium condition 1 was met in relation to—
 - (a) the transferred company (as the company owned by a consortium as mentioned in section 188CF(1)(b)), and
 - (b) the surrendering company (as the company mentioned in section 188CF(1)(c)),
immediately before the change in ownership (“time T”).
 - (4) The relief given under section 188CK in respect of the transferred company's total profits of the claim period may not exceed the relief that would be available on the assumption that the claim is based on consortium condition 1 and the ownership proportion for the purposes of that condition is equal to the lowest of the following proportions—
 - (a) the proportion of the ordinary share capital of the transferred company that was beneficially owned by the surrendering company at time T,
 - (b) the proportion of any profits available for distribution to equity holders of the transferred company to which the surrendering company was beneficially entitled at that time,
 - (c) the proportion of any assets of the transferred company available for distribution to such equity holders on a winding up to which the

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- surrendering company would be beneficially entitled (as determined at that time), and
- (d) the proportion of the voting power in the transferred company that was directly possessed by the surrendering company at that time.
- (5) Subsection (8) applies in relation to a claim for group relief for carried-forward losses by the transferred company if conditions A and B are met.
- (6) Condition A is that the claim is—
- (a) for an accounting period ending after the change in ownership, and
 - (b) in respect of a relevant pre-acquisition loss.
- (7) Condition B is that consortium condition 2 was met in relation to—
- (a) the transferred company (as the company owned by a consortium as mentioned in section 188CG(1)(b)), and
 - (b) the surrendering company (as the company mentioned in section 188CG(1)(c)),
- immediately before the change in ownership (“time T”).
- (8) The relief given under section 188CK in respect of the transferred company's total profits of the claim period may not exceed the relief that would be available on the assumption that the claim is based on consortium condition 2 and the ownership proportion for the purposes of that condition is equal to the lowest of the following proportions—
- (a) the proportion of the ordinary share capital of the transferred company that was beneficially owned by the link company at time T,
 - (b) the proportion of any profits available for distribution to equity holders of the transferred company to which the link company was beneficially entitled at that time,
 - (c) the proportion of any assets of the transferred company available for distribution to such equity holders on a winding up to which the link company would be beneficially entitled (as determined at that time), and
 - (d) the proportion of the voting power in the transferred company that was directly possessed by the link company at that time.
- (9) For the purposes of this section—
- (a) the accounting period of the surrendering company mentioned in subsection (3)(b) or (7)(b) (as the case may be) in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change 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.
- (10) Any apportionment under subsection (9)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (11) In this section—
- “the link company” means the company which is the link company (see section 188CG(1)(d)) for the purposes of the meeting of consortium condition 2 as mentioned in subsection (7),

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“the claim period” and “the surrendering company” has the same meaning as in Part 5A (see section 188FD(1)).

- (12) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsections (4)(b) and (c) and (8)(b) and (c).

Cases where consortium condition 3 or 4 was previously met

676CD) If the requirement in subsection (3) is met, section 676CB(3) does not prevent a company from making under section 188CC a claim for group relief for carried-forward losses falling within subsection (2).

- (2) A claim falls within this subsection if it is—
- (a) for an accounting period (“the claim period”) ending after the change in ownership, and
 - (b) in relation to an amount surrendered by the transferred company which is a relevant pre-acquisition loss and is attributable to an accounting period of that company specified in the claim (“the specified loss-making period”).
- (3) The requirement is that consortium condition 3 or consortium condition 4 is met throughout a period which—
- (a) begins before or during the specified loss-making period, and
 - (b) ends with or after the time when the change in ownership occurs.
- (4) For the purposes of a claim by virtue of this section, section 188CC(3) has effect as if requirement 3 were omitted.

Exceptions to restrictions

676CE) Nothing in section 676CB(3) or 676CC affects the giving of group relief for carried-forward losses by the making of a deduction under section 188CK(1) from total profits of the claimant company which arise after the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs.

- (2) Nothing in section 676CB(3) or 676CC affects the availability of relief under Part 5A if immediately before the change in ownership the group condition was met in relation to the transferred company and the claimant company.

But see also section 676CF.

- (3) If an accounting period of the claimant company begins before, and ends after, the anniversary mentioned in subsection (1), 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 periods.

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- (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.
- (6) In this section “the claimant company” has the same meaning as in Part 5A (see section 188FD(1)).

Cases where Chapter 2, 2A or 3 also applies

676C(F) This section applies if—

- (a) Chapter 2 applies in relation to the change in ownership by virtue of condition A in section 673 being met,
- (b) Chapter 2A applies in relation to the change in ownership, or
- (c) Chapter 3 applies in relation to the change in ownership by virtue of condition B in section 677 being met.

(2) This section also applies if—

- (a) the condition in subsection (1)(a) would be met if in subsection (4A) of section 719 (meaning of “change in the ownership of a company”) the reference to Chapter 2C included a reference to Chapter 2, or
- (b) the condition in subsection (1)(c) would be met if in subsection (4A) of section 719 the reference to Chapter 2C included a reference to Chapter 3.

(3) Where the company in relation to which the major change mentioned in section 673(4), 676AA(3) or 677(3) has occurred would (apart from this section) be eligible under Part 5A to claim in respect of a relevant pre-acquisition loss group relief for carried-forward losses for an accounting period ending after the change in ownership, no deduction in respect of that loss may be made from affected profits under section 188CK.

See section 676CG for the meaning of “affected profits”.

(4) For the purposes of this section—

- (a) the accounting period in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change 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.

(5) Any apportionment under subsection (4)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.

(6) 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.

“Affected profits”

676C(G) This section has effect for the purposes of section 676CF.

(2) Profits of an accounting period ending after the change in ownership are “affected profits” if and so far as—

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- (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 mentioned in section 673(4), 676AA(3) or 677(3) (as the case may be) has occurred.
- (3) If an accounting period of the company in relation to which the major change mentioned in section 673(4), 676AA(3) or 677(3) has occurred 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.

“Relevant pre-acquisition loss”

676CH) In this Chapter “relevant pre-acquisition loss” means—

- (a) a non-trading deficit from loan relationships for an accounting period beginning before the change in ownership carried forward to the surrender period under section 463G(6) of CTA 2009,
- (b) a loss on intangible fixed assets so far as it is made up of amounts carried forward to the surrender period under section 753(3) of CTA 2009 from one or more accounting periods beginning before the change in ownership,
- (c) expenses carried forward to the surrender period under section 1223 of CTA 2009 (carry forward of expenses of management of investment business) which were first deductible in an accounting period beginning before the change in ownership,
- (d) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 45A(3) (post- 1 April 2017 trade loss),
- (e) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 62(5)(b) or 63(3)(a) (loss made in UK property business),
- (f) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 303B(2) or 303D(3) (post-1 April non-decommissioning losses of ring fence trade),
- (g) a BLAGAB trade loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 124A(2) or 124C(3) of FA 2012.

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- (2) In this section “the surrender period” is to be interpreted in accordance with section 188BB(7).

Interpretation of Chapter

676QI) 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,
 - “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.”

78 After Chapter 2C insert—

“CHAPTER 2D

ASSET TRANSFERRED WITHIN GROUP: RESTRICTION OF GROUP RELIEF FOR CARRIED-FORWARD LOSSES

Introduction to Chapter

- 676DA) This section applies if—
- (a) there is a change in the ownership of a company (“the company”) on or after 1 April 2017, and
 - (b) the following are met—
 - conditions 1 and 2, or
 - condition 3.
- (2) Condition 1 is that after the change in ownership the company acquires an asset from another company in circumstances such that—
- (a) section 171 of TCGA 1992 (no gain/no loss transfer within a group), or
 - (b) section 775 of CTA 2009 (tax-neutral transfer within a group), applies to the acquisition.

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- (3) Condition 2 is that—
- (a) in a case within subsection (2)(a), a chargeable gain accrues to the company on a disposal of the asset within the period of 5 years beginning with the change in ownership, or
 - (b) in a case within subsection (2)(b), there is a non-trading chargeable realisation gain on the realisation of the asset within that period.
- (4) Condition 3 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (notional transfers within a group).
- (Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)
- (5) For the purposes of subsection (3), an asset (P) acquired by the company as mentioned in subsection (2) is treated as the same as an asset (Q) owned at a later time by the company if the value of Q is derived in whole or in part from P.
- (6) In particular, P is treated as the same as Q for those purposes if—
- (a) Q is a freehold,
 - (b) P was a leasehold, and
 - (c) the lessee has acquired the reversion.

(7) In this Chapter

“the change in ownership” means the change in ownership mentioned in subsection (1),

“the company” has the same meaning as in this section,

“non-trading chargeable realisation gain” means a chargeable realisation gain (within the meaning of Part 8 of CTA 2009 (intangible fixed assets)) which is a non-trading credit for the purposes of that Part (see section 746 of that Act),

“realisation” has the meaning given by section 734 of CTA 2009, and

“the relevant gain” means the gain (or amount of a gain) within subsection (3)(a) or (b) or (4).

Notional split of accounting period in which change in ownership occurs

676D~~B~~) 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 702 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 4.

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- (4) The amounts for the actual accounting period in column 1 of the table in section 702(2) are apportioned to the two notional accounting periods in accordance with section 702.
- (5) In this Chapter, and in sections 702 and 703 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

Disallowance of group relief for carried-forward losses

676D(1) This section has effect for the purposes of restricting relief under Chapter 3 of Part 5A (group relief for carried-forward losses).

- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period in which the relevant gain accrues or arises.
- (3) In calculating the company's taxable total profits of the accounting period in which the relevant gain accrues or arises, a relevant pre-acquisition loss may not be deducted, as a result of section 188CK (group relief for carried-forward losses: deductions from total profits) from so much of the total profits of the accounting period as represents the relevant gain.
- (4) “Relevant pre-acquisition loss” means—
 - (a) a non-trading deficit from loan relationships for an accounting period beginning before the change in ownership carried forward to the surrender period under section 463G(6) of CTA 2009,
 - (b) a loss on intangible fixed assets so far as it is made up of amounts carried forward to the surrender period under section 753(3) of CTA 2009 from one or more accounting periods beginning before the change in ownership,
 - (c) expenses carried forward to the surrender period under section 1223 of CTA 2009 (carrying forward expenses of management and other amounts) which were first deductible in an accounting period beginning before the change in ownership,
 - (d) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 45A(3) (post- 1 April 2017 trade loss);
 - (e) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 62(5)(b) or 63(3)(a) (loss made in UK property business),
 - (f) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 303B(2) or 303D(3) (post-1 April non-decommissioning losses of ring fence trade),
 - (g) a BLAGAB trade loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 124A(2) or 124C(3) of FA 2012.
- (5) In this section “the surrender period” is to be interpreted in accordance with section 188BB(7).

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Meaning of “the relevant provisions”

676DD In this Chapter “the relevant provisions” means—

- (a) section 8(1) of, and Schedule 7A to, TCGA 1992 (amounts included in respect of chargeable gains in total profits), or
- (b) Chapter 6 of Part 8 of CTA 2009 (intangible fixed assets: how credits and debits are given effect).

Meaning of “amount of profits which represents a relevant gain”

676DE) In this Chapter, the amount of any profits which represents a relevant gain is found by comparing—

- (a) the amount (“Y”) of the relevant gain, with
- (b) the amount (“Z”) which is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains for the accounting period concerned.

(2) If Y does not exceed Z, the amount of the profits which represents the relevant gain equals Y.

(3) If Y exceeds Z, the amount of those profits equals Z.”

79 After Chapter 2D insert—

“CHAPTER 2E

POST-1 APRIL 2017 TRADE LOSSES: CASES INVOLVING THE TRANSFER OF A TRADE

Introduction to Chapter

676EA) This Chapter applies if on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).

(2) In this Chapter—

“the change in ownership” means the change in ownership mentioned in subsection (1);

“the transferred company” has the meaning given by subsection (1).

Restriction on use of trade losses carried-forward on transfer of trade

676EB) Subsection (2) applies if—

- (a) the transferred company transfers a trade to another company (“the successor company”) within the period of 8 years beginning 3 years before the change in ownership,
- (b) the transfer is a transfer to which Chapter 1 of Part 22 applies, and
- (c) the transferred company and the successor company are not related to one another both immediately before the change in ownership and at the time of the transfer.

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- (2) A loss made by the transferred company in the transferred trade in an accounting period beginning before the change in ownership may not be deducted under section 45A or 303C from the relevant profits of an accounting period of the successor company ending after the change in ownership.
- (3) Profits of an accounting period of the successor company ending after the change in ownership are “relevant 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 cannot fairly and reasonably be attributed to the carrying on by the successor company of the transferred trade.
- (4) If an accounting period of the transferred company begins before, and ends after the change in ownership, then for the purposes of subsection (2)—
 - (a) the accounting period is treated as two separate accounting period, the first ending with the change and the second consisting on the remainder of the period, and
 - (b) a loss made in the trade in the accounting period is apportioned to the two periods.
- (5) If an accounting period of the successor company begins before, and ends after, the anniversary mentioned in subsection (3), 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 of the accounting period are apportioned to the two periods.
- (6) Any apportionment under subsection (4)(b) or (5)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (7) 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.

Restriction on surrender of trade losses carried forward on transfer of trade

676E(1) This section applies if—

- (a) the transferred company or a co-transferred company transfers a trade to another company (“the successor company”) within the period of 8 years beginning 3 years before the change in ownership,
 - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies, and
 - (c) another company (“the claimant company”) would, apart from this section, be eligible under Part 5A to make a relevant claim for group relief for carried-forward losses.
- (2) For the purposes of this section a claim for group relief for carried forward-losses is a relevant claim if it is—
- (a) for an accounting period ending after the change in ownership, and

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- (b) in respect of an amount surrendered by the successor company which is an amount of a loss—
 - (i) made in the trade by the transferred company or the co-transferred company in an accounting period beginning before the change in ownership, and
 - (ii) carried forward to the surrender period of the successor company under section 45A(3), 303B(2) or 303D(3).
- (3) The general rule is that the relief is not available.
- (4) Subsection (3) does not affect the giving of group relief for carried-forward losses by the making of a deduction under section 188CK(1) from the total profits of the claimant company which arise after the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs.
- (5) Subsection (3) does not affect the availability of relief under Part 5A if immediately before the change in ownership the group condition was met in relation to the claimant company and the transferred company.
- (6) If an accounting period of the transferred company or co-transferred company begins before, and ends after the change in ownership, then for the purposes of subsection (2)(b)—
 - (a) the accounting period is treated as two separate accounting period, the first ending with the change and the second consisting on the remainder of the period, and
 - (b) a loss made in the trade in the accounting period is apportioned to the two periods.
- (7) If an accounting period of the claimant company begins before, and ends after, the anniversary mentioned in subsection (4), then for the purposes of that subsection—
 - (a) the accounting period is treated as two separate accounting period, the first ending with that date and the second consisting of the remainder of the period, and
 - (b) the profits of the accounting period are apportioned to the two periods.
- (8) Any apportionment under subsection (6)(b) or (7)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (9) 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.

Indirect transfers of a trade

- 676E(1) Subsections (2) and (3) apply if a trade transferred by the transferred company or a co-transferred company is transferred on a subsequent occasion to another company.
- (2) The transferred company or (as the case may be) the co-transferred company is to be treated for the purposes of this Chapter—
 - (a) as having transferred the trade to that other company, and

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- (b) as having done so at the time it was actually transferred to that other company.
- (3) The deemed transfer is to be treated for the purposes of this Chapter as a transfer to which Chapter 1 of Part 22 applies if the actual transfer to the other company was a transfer to which that Chapter applies.
- (4) Subsections (5) and (6) apply if—
 - (a) a trade (“the original trade”) is transferred by the transferred company or a co-transferred company,
 - (b) the activities of the original trade are included in the activities of another trade (“the composite trade”), and
 - (c) the composite trade is transferred to another company.
- (5) The transferred company or (as the case may be) the co-transferred company is to be treated for the purposes of this Chapter—
 - (a) as having transferred the original trade to that other company, and
 - (b) as having done so at the time the composite trade was actually transferred to that other company.
- (6) The deemed transfer is to be treated for the purposes of this Chapter as a transfer to which Chapter 1 of Part 22 applies if the transfer of the composite trade to the other company was a transfer to which that Chapter applies.

Interpretation of Chapter

- 676E(1) Section 940B (meaning of “transfer of trade” and related expressions) applies for the purposes of this Chapter as it applies for the purposes of Chapter 1 of Part 22.
- (2) 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.
 - (3) 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).
 - (4) 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,
 - “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.””

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- 80 (1) Section 677 (introduction to Chapter 3) is amended as follows.
- (2) In subsection (3), for “6” substitute “ 8 ”.
- (3) In subsection (5), for “6” substitute “ 8 ”.
- (4) The amendments made by this paragraph do not have effect unless both the change in ownership referred in section 677(1) and the major change in the nature or conduct of a business referred to in section 677(3) occur on or after 1 April 2017.
- 81 (1) Section 681 (restriction on relief for non-trading loss on intangible fixed assets) is amended as follows.
- (2) In subsection (3)(b), for “debit of” substitute “ loss on intangible fixed assets for ”.
- 82 (1) Section 685 (apportionment of amounts) is amended as follows.
- (2) In subsection (2), in column 1 of row 4 in the table, for the words from “of CTA 2009” to the end substitute “, 463G(6) or 463H(4) of CTA 2009.”
- (3) In subsection (2), in column 1 of row 6 of the table, for “debit of” substitute “ loss on intangible fixed assets for ”.
- (4) Where the change in ownership referred to in section 677(1) occurs before 13 July 2017 this paragraph has effect as if sub-paragraph (2) provided as follows—
- “(2) In subsection (2), in column 1 of row 4 in the table, for the words from “of CTA 2009” to the end substitute “or 463G(6) of CTA 2009.”
- 83 (1) In section 690 (meaning of “significant increase in the amount of a company's capital: amount B), in subsection (3) for “3” substitute “ 5 ”.
- (2) The amendment made by this paragraph does not have effect unless the change in ownership referred in section 677(1) occurs on or after 1 April 2017.
- 84 (1) Section 692 (introduction to Chapter 4) is amended as follows.
- (2) In subsection (1), for paragraph (b) substitute—
- “(b) the following are met—
condition 1, and
conditions 2 and 3 or condition 4.”
- (3) In subsection (4)(a), for “3” substitute “ 5 ”.
- (4) After subsection (4) insert—
- “(4A) Condition 4 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (election to reallocate gain or loss to another member of the group).
- (Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)”
- (5) In subsection (7), in the definition of “the relevant gain”, for “within subsection (4) (a) or (b)” substitute “ (or amount of a gain) within subsection (4)(a) or (b) or (4A) ”.
- (6) The amendments made by this paragraph do not have effect unless the change in ownership referred to in section 692(1) occurs on or after 1 April 2017.

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- 85 In section 696 (restriction of debits to be brought into account), in subsection (4) (b), after “461” insert “ or 463B(1)(a) ”.
- 86 (1) Section 702 (apportionment of amounts) is amended as follows.
- (2) In subsection (2), in column 1 of row 5 of the table, for the words from “of CTA 2009” to the end substitute “, 463G(6) or 463H(4) of CTA 2009.
- (3) In subsection (2), in column 1 of row 7 of the table, for “debit of” substitute “ loss on intangible fixed assets for ”.
- (4) Where the change in ownership referred to in section 692(1) occurs before 13 July 2017 this paragraph has effect as if sub-paragraph (2) provided as follows—
- “(2) In subsection (2), in column 1 of row 5 in the table, for the words from “of CTA 2009” to the end substitute “or 463G(6) of CTA 2009.”
- 87 (1) Section 704 (company carrying on UK property business) is amended as follows.
- (2) In subsection (2), for “3” substitute “ 5 ”.
- (3) In subsection (10), in the words after paragraph (b), for “3” substitute “ 5 ”.
- (4) The amendments made this paragraph do not have effect unless both the change in ownership referred in section 704(1) and the major change in the nature or conduct of a trade or business referred to in section 704(2) occur on or after 1 April 2017.
- 88 (1) Section 705 (company carrying on overseas property business) is amended as follows.
- (2) In subsection (2), for “3” substitute “ 5 ”.
- (3) In subsection (9), in the words after paragraph (b), for “3” substitute “ 5 ”.
- (4) The amendments made by this paragraph do not have effect unless both the change in ownership referred in section 705(1) and the major change in the nature or conduct of a trade or business referred to in section 705(2) occur on or after 1 April 2017.
- 89 In section 719 (meaning of “change of ownership of a company”), after subsection (4) insert—
- “(4A) For the purposes of Chapters 2A to 2D there is also a change in the ownership of a company (“C”) if, as a result of the acquisition by a person of a holding of the ordinary share capital of the company, the group condition (as defined in section 188CE) is met in relation to C and another company (“A”) (which was not a member of the same group of companies as C before the acquisition).
- In this subsection the reference to membership of a group of companies is to be interpreted in accordance with section 188FB.”
- 90 In section 721 (when things other than ordinary share capital may be taken into account), in subsection (4), in the words before paragraph (a), after “2,” insert “ 2A, 2B, 2C, 2D, ”.
- 91 In section 727 (extended time limit for assessment) for “3” substitute “ 5 ”.

Changes to legislation:

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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):

- Sch. A1 para. 8(6)(b) omitted by [2022 c. 3 Sch. 1 para. 32\(b\)](#)
- Sch. A1 para. 8(2) substituted by [2022 c. 3 Sch. 1 para. 32\(a\)](#)