

Status: Point in time view as at 17/07/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, SCHEDULE 13. (See end of Document for details)

SCHEDULES

SCHEDULE 13

Section 33

CHANGE IN OWNERSHIP OF SHELL COMPANY: RESTRICTION OF RELIEF

Amendments of Part 14 of CTA 2010

- 1 (1) Part 14 of CTA 2010 (change in company ownership) is amended as follows.
- (2) In section 672 (overview of Part)—
 - (a) after subsection (3) insert—

“(3A) Chapter 5A restricts relief for certain non-trading deficits and losses where there is a change of ownership of a shell company.”;
 - (b) in subsection (7), omit the “and” at the end of paragraph (b) and after that paragraph insert—

“(ba) shell company”, see section 705A, and”.
- (3) After Chapter 5 insert—

“CHAPTER 5A

SHELL COMPANIES: RESTRICTIONS ON RELIEF

Introduction

Introduction to Chapter

705A(1) This Chapter applies where there is a change in the ownership of a shell company.

(2) In this Chapter—

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

“the company” means the company mentioned in subsection (1);

“shell company” means a company that—

- (a) is not carrying on a trade,
- (b) is not a company with investment business, and
- (c) is not carrying on a UK property business.

Notional split of accounting period in which change in ownership occurs

705B(1) This section applies for the purposes of this Chapter.

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- (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) The amounts for the actual accounting period in column 1 of the table in section 705F(2) are apportioned to the two notional accounting periods in accordance with section 705F.
- (4) In this Chapter “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

Restrictions on relief

Restriction on debits to be brought into account

- 705C(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 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 carry forward of non-trading deficit from loan relationships

- 705D(1) This section has effect for the purpose of restricting the carry forward of a non-trading deficit from the company's loan relationships under Part 5 of CTA 2009 (loan relationships).
- (2) Subsection (3) applies if the non-trading deficit in column 1 of row 4 of the table in section 705F(2) is apportioned in accordance with section 705F to the first notional accounting period.
 - (3) None of that non-trading deficit may be carried forward to—
 - (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 non-trading loss on intangible fixed assets

- 705(E) 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 non-trading loss on intangible fixed assets.
- (2) Relief under section 753 of CTA 2009 against the total profits of the same accounting period is available only in relation to each of the notional accounting periods considered separately.
- (3) A non-trading loss on intangible fixed assets for an accounting period beginning before the change in ownership may not be—
- (a) carried forward under section 753(3) of that Act to an accounting period ending after the change in ownership, or
 - (b) treated under that section as if it were a non-trading debit of that period.

Apportionment of amounts

Apportionment of amounts

- 705(F) This section applies for the purposes of this Chapter.
- (2) Any amount for the actual accounting period in column 1 of the following table is to be apportioned to the two notional accounting periods in accordance with the corresponding method of apportionment in column 2 of the table.

Row	1. Amount to be apportioned	2. Method of apportionment
1	The amount for the actual accounting period of any adjusted non-trading profits from the company's loan relationships (see section 705G(2)).	Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods.
2	The amount for the actual accounting period of any adjusted non-trading deficit from the company's loan relationships (see section 705G(3)).	Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods.
3	The amount of any non-trading debit that falls to be brought into account for the actual accounting period for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of any debtor relationship of the company.	<p>(1) If condition A in section 705G(4) is met, apportion the amount in column 1 by reference to the time of accrual of the amount to which the debit relates.</p> <p>(2) If condition B in section 705G(5) is met, apportion the amount in column 1 to the first notional accounting period.</p>

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4	The amount of any non-trading deficit carried forward to the actual accounting period under section 457(1) of CTA 2009 (basic rule for deficits: carry forward to accounting periods after deficit period).	Apportion the whole of the amount in column 1 to the first notional accounting period.
5	The amount of any non-trading credits or debits in respect of intangible fixed assets that fall to be brought into account for the actual accounting period under section 751 of CTA 2009 (non-trading gains and losses), but excluding any amount within column 1 of row 6.	Apportion to each notional accounting period the credits or debits that would fall to be brought into account in that period if it were a period of account for which accounts were drawn up in accordance with generally accepted accounting practice.
6	The amount of any non-trading loss on intangible fixed assets carried forward to the actual accounting period under section 753(3) of CTA 2009 and treated under that section as if it were a non-trading debit of that period.	Apportion the whole of the amount in column 1 to the first notional accounting period.
7	Any other amounts by reference to which the profits or losses of the actual accounting period would (but for this Chapter) be calculated.	Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods.

(3) If any method of apportionment in column 2 of the table in subsection (2) would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

(4) For the meaning of certain expressions used in this section, see section 705G.

Meaning of certain expressions in section 705F

705G(1) This section applies for the purposes of the table in section 705F(2).

(2) For the purposes of column 1 of row 1 of the table, the amount for the actual accounting period of any adjusted non-trading profits from the company's loan relationships is the amount which would be the amount of the profits from those relationships chargeable under section 299 of CTA 2009 (charge to tax on non-trading profits) if, in calculating that amount, amounts for that period within column 1 of row 3 or 4 of the table were disregarded.

(3) For the purposes of column 1 of row 2 of the table, the amount for the actual accounting period of any adjusted non-trading deficit from the company's loan relationships is the amount which would be the amount of the non-trading deficit from those relationships if, in calculating that amount, amounts for that period within column 1 of row 3 or 4 of the table were disregarded.

(4) Condition A is that—

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- (a) the amount in column 1 of row 3 of the table is determined on an amortised cost basis of accounting, and
 - (b) none of the following provisions applies—
 - (i) section 373 of CTA 2009 (late interest treated as not accruing until paid in some cases),
 - (ii) section 407 of that Act (postponement until redemption of debits for connected companies' deeply discounted securities), or
 - (iii) section 409 of that Act (postponement until redemption of debits for close companies' deeply discounted securities).
- (5) Condition B is that—
- (a) the amount in column 1 of row 3 of the table is determined on an amortised cost basis of accounting, and
 - (b) any of the provisions mentioned in subsection (4)(b) applies.”
- (4) In section 721 (when things other than share capital may be taken into account: Chapters 2 to 5)—
- (a) in the heading, for “5” substitute “ 5A ”;
 - (b) in subsection (1), for “5” substitute “ 5A ”;
 - (c) in subsection (4), for “or 5” substitute “ , 5 or 5A ”.
- (5) In section 725 (provision applying for the purposes of Chapters 2 to 5)—
- (a) in the heading, for “5” substitute “ 5A ”;
 - (b) in subsection (1), for “5” substitute “ 5A ”.
- (6) In section 730 (meaning of “relevant non-trading debit”)—
- (a) in subsection (1), for “and 696” substitute “ , 696 and 705C ”;
 - (b) in subsections (3)(c), (4)(c) and (5)(b) for “or 696” substitute “ , 696 or 705C ”.

Consequential amendments

- 2 In Schedule 4 to that Act (index of defined expressions) insert at the appropriate places—

“the actual accounting period (in Chapter 5A of Part 14)	section 705B(4)”
“the change in ownership (in Chapter 5A of Part 14)	section 705A(2)”
“the company (in Chapter 5A of Part 14)	section 705A(2)”
“notional accounting periods (in Chapter 5A of Part 14)	section 705B(4)”
“shell company (in Chapter 5A of Part 14)	section 705A(2)”.

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Commencement

- 3 The amendments made by this Schedule have effect in relation to changes in ownership that occur on or after 20 March 2013.

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