
Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

SCHEDULES

SCHEDULE 4

RELIEF FOR CARRIED-FORWARD LOSSES

PART 2

RESTRICTION ON DEDUCTIONS IN RESPECT OF CARRIED-FORWARD LOSSES

- 15 CTA 2010 is amended as follows.
16 After section 269 insert—

“PART 7ZA

RESTRICTIONS ON OBTAINING CERTAIN DEDUCTIONS

Introduction

269ZA Overview of Part

This Part contains provision restricting the amount of certain deductions which a company may make in calculating its taxable total profits for an accounting period.

Restrictions on obtaining certain deductions

269ZB Restriction on deductions from trading profits

- (1) This section has effect for determining the taxable total profits of a company for an accounting period.
- (2) The sum of any deductions made by the company for the accounting period which fall within subsection (3) may not exceed the relevant maximum.
But this is subject to subsection (10).
- (3) The following deductions fall within this subsection—
 - (a) any deductions under section 45(4)(b) or 45B;
 - (b) any deduction under section 303B(4) or 303D(5), so far as it is a restricted deduction.
- (4) For the purposes of this section a deduction under section 303B(4) or 303D(5) is a “restricted deduction” so far as it would not be available but for section 304(5) (reduction of income derived from related activities).

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (5) In this section the “relevant maximum” means the sum of—
- (a) 50% of the company's relevant trading profits for the accounting period, and
 - (b) the company's trading profits deductions allowance for the accounting period.
- (6) Section 269ZF contains provision for determining a company's relevant trading profits for an accounting period.
- (7) A company's “trading profits deductions allowance” for an accounting period—
- (a) is so much of the company's deductions allowance for the period as is specified in the company's tax return as its trading profits deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company's deductions allowance for the period is so specified.
- (8) An amount specified under subsection (7)(a) as a company's trading profits deductions allowance for an accounting period may not exceed the difference between—
- (a) the amount of the company's deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under section 269ZC(5)(a) (non-trading profits deductions allowance) and section 124D(4) of FA 2012 (BLAGAB trade profits deductions allowance).
- (9) A company's “deductions allowance” for an accounting period is to be determined in accordance with section 269ZR where, at any time in that period—
- (a) the company is a member of a group (see section 269ZZB), and
 - (b) one or more other companies within the charge to corporation tax are members of that group.

Otherwise, a company's “deductions allowance” for an accounting period is to be determined in accordance with section 269ZW.

- (10) Subsection (2) does not apply in relation to a company for an accounting period where, in determining the company's relevant trading profits, the amount given by step 1 in section 269ZF(3) is not greater than nil.

269ZC Restriction on deductions from non-trading profits

- (1) This section has effect for determining the taxable total profits of a company for an accounting period.
- (2) The sum of any deductions made by the company for the accounting period under section 457(3) and 463H(5) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits) may not exceed the relevant maximum.

But this is subject to subsection (8).

- (3) In this section the “relevant maximum” means the sum of—

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (a) 50% of the company's relevant non-trading profits for the accounting period, and
 - (b) the amount of the company's non-trading profits deductions allowance for the accounting period.
- (4) Section 269ZF contains provisions for determining a company's relevant non-trading profits for an accounting period.
- (5) A company's “non-trading profits deductions allowance” for an accounting period—
- (a) is so much of the company's deductions allowance for the period as is specified in the company's tax return as its non-trading profits deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company's deductions allowance for the period is so specified.
- (6) An amount specified under subsection (5)(a) as a company's non-trading profits deductions allowance for an accounting period may not exceed the difference between—
- (a) the amount of the company's deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under section 269ZB(7)(a) (trading profits deductions allowance) and section 124D(4) of FA 2012 (BLAGAB trade profits deductions allowance).
- (7) A company's “deductions allowance” for an accounting period is to be determined in accordance with section 269ZR where, at any time in that period—
- (a) the company is a member of a group (see section 269ZZB), and
 - (b) one or more other companies within the charge to corporation tax are members of that group.

Otherwise, a company's “deductions allowance” for an accounting period is to be determined in accordance with section 269ZW.

- (8) Subsection (2) does not apply in relation to a company for an accounting period where, in determining the company's relevant non-trading profits for the period, the amount given by step 1 in section 269ZF(3) is not greater than nil.

269ZD Restriction on deductions from total profits

- (1) This section has effect for determining the taxable total profits of a company for an accounting period.
- (2) The sum of any relevant deductions made by the company for the accounting period may not exceed the difference between—
 - (a) the relevant maximum, and
 - (b) the sum of—
 - (i) any deductions falling within section 269ZB(3) (carry forward of trade loss against subsequent trade profits) made by the company for the accounting period,

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (ii) any deductions made by the company for the accounting period under sections 457(3) and 463H(5) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits), and
- (iii) any deductions made by the company for the accounting period under sections 124(5), 124A(5) and 124C(6) of FA 2012 (carry forward of BLAGAB trade losses against BLAGAB trade profits).

But this is subject to subsection (7) and section 269ZE.

- (3) The following deductions made for an accounting period are “relevant deductions” for the purposes of this section—
- (a) a deduction under section 463G of CTA 2009 (carry forward of non-trading deficit against total profits);
 - (b) a deduction under section 753 of CTA 2009 (non-trading losses on intangible fixed assets) in respect of a loss treated by subsection (3) of that section (carry forward of losses) as if it were a loss of the accounting period;
 - (c) a deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) in respect of an amount treated by section 1223(3) of that Act (carrying forward of expenses of management and other amounts) as expenses of management deductible for the accounting period;
 - (d) a deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) in respect of a loss treated by section 63(3) (carrying forward of certain losses made by company with investment business which ceases to carry on UK property business) as an expense of management deductible for the accounting period;
 - (e) a deduction under section 37 (relief for trade losses against total profits) made in reliance on section 1210(3), 1216DB(3), 1217DB(3), 1217MB(2), 1217SB(2) or 1218ZDB(2) of CTA 2009;
 - (f) a deduction under section 45A (carry forward of trade loss against total profits);
 - (g) a deduction under section 62(3) (relief for losses made in UK property business) in respect of a loss treated by subsection (5)(b) of that section (carry forward of losses) as a loss made by the company in the accounting period;
 - (h) a deduction under section 303C (excess carried forward non-decommissioning losses of ring fence trade: relief against total profits);
 - (i) a deduction under Part 5 (group relief) made in respect of a loss surrendered under that Part in reliance on section 1210(3), 1216DB(3), 1217DB(3), 1217MB(2), 1217SB(2) or 1218ZDB(2) of CTA 2009;
 - (j) a deduction under Part 5A (group relief for carried-forward losses);
 - (k) a deduction under section 124B of FA 2012 (deduction from total profits of excess carried-forward BLAGAB trade losses),
- (but see section 269ZJ (insurance companies: shock losses).

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (4) In this section the “relevant maximum” means the sum of—
- (a) 50% of the company's relevant profits for the accounting period, and
 - (b) the amount of the company's deductions allowance for the accounting period.
- (5) A company's “relevant profits” for an accounting period are the sum of—
- (a) the company's relevant trading profits for the accounting period (see section 269ZF(1)),
 - (b) the company's relevant non-trading profits for the accounting period (see section 269ZF(2), and
 - (c) the company's relevant BLAGAB trade profits for the accounting period.

In this subsection “relevant BLAGAB trade profits” has the same meaning as in section 124D of FA 2012.

- (6) A company's “deductions allowance” for an accounting period is to be determined in accordance with section 269ZR where, at any time in that period—
- (a) the company is a member of a group (see section 269ZZB), and
 - (b) one or more other companies within the charge to corporation tax are members of that group.

Otherwise, the company's “deductions allowance” for the accounting period is to be determined in accordance with section 269ZW.

- (7) Subsection (2) does not apply in relation to a company for an accounting period where the sum of—
- (a) the amount given by paragraph (1) of step 1 in section 269ZF(3), and
 - (b) the company's BLAGAB trade profit for the accounting period,
- is not greater than nil.

269ZE Restriction on deductions from total profits: insurance companies

- (1) Where the conditions in subsection (2) are met, section 269ZD has effect as if, for subsection (2) of that section there were substituted—

“(2) The sum of any relevant deductions made by the company for the accounting period may not exceed the modified loss cap (as defined in section 269ZE).

But this is subject to subsection (7).”

- (2) The conditions are that—
- (a) the company referred to in section 269ZD(1) carries on business to which the charge to corporation tax under section 68 of FA 2012 (charge to tax on I-E profit) applies and has an I-E profit for the accounting period,
 - (b) the policyholders' share (if any) of the I-E profit is not the whole of that profit, and
 - (c) the adjusted shareholders' I-E profit for the accounting period is less than the BLAGAB-related loss capacity.

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (3) The “adjusted shareholders' I-E profit” is equal to—
- (a) the shareholders' share of the I-E profit, less
 - (b) any excess capacity.
- (4) The “BLAGAB-related loss capacity” is equal to $A + B - C$ where—
- A is 50% of the company's relevant BLAGAB trade profits for the accounting period (as defined in section 124D of FA 2012);
- B is the company's BLAGAB trade profits deductions allowance for the period (if any) (as defined in section 124D of FA 2012);
- C is the total of any deductions made by the company for the accounting period under sections 124(5), 124A(5) and 124C(6) of FA 2012.
- (5) To determine the modified loss cap, take the following steps—
- Step 1: find the basic loss cap.
 - Step 2: reduce that amount by the BLAGAB-related loss capacity.
 - Step 3: add to the result of step 2 the adjusted shareholders' I-E profit.
- The result is the modified loss cap.
- (6) In this section “the basic loss cap” means the difference referred to in the opening words of section 269ZD(2) (assuming that that section has effect without the modification set out in subsection (1) of this section) (but, if applicable, taking account of section 269ZJ).
- (7) In this section “excess capacity” means the amount (if any) by which—
- (a) the section 269ZF step 2 amount, is less than
 - (b) what the section 269ZF step 2 amount would be if in paragraph (d) of section 269ZF(4) the reference to any I-E profit were to the policyholders' share of any I-E profit.
- (8) In subsection (7) the reference to the “section 269ZF step 2 amount” is to the sum given by paragraph (1) of step 2 of section 269ZF(3) in calculating the company's relevant trading profits and relevant non-trading profits for the accounting period: but for this purpose disregard paragraph (4) of step 1 of section 269ZF(3).
- (9) For the purposes of this section the “shareholders' share” of an insurance company's I-E profit for an accounting period is equal to—
- (a) the amount of the I-E profit, less
 - (b) the policyholders' share (if any) of that profit.
- (10) In this section references to the policyholders' share of I-E profit are to that share as determined in accordance with section 103 of FA 2012.

Relevant profits

269ZF “Relevant trading profits” and “relevant non-trading profits”

- (1) A company's “relevant trading profits” for an accounting period are—
- (a) the company's qualifying trading profits for the accounting period (see subsection (3)), less

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (b) the company's trading profits deductions allowance for the accounting period (see section 269ZB(7)).

But if the allowance mentioned in paragraph (b) exceeds the profits mentioned in paragraph (a), the company's "relevant trading profits" for the accounting period are nil.

- (2) A company's "relevant non-trading profits" for an accounting period are—
- (a) the company's qualifying non-trading profits for the accounting period (see subsection (3)), less
- (b) the company's non-trading profits deductions allowance for the accounting period (see section 269ZC(5)).

But if the allowance mentioned in paragraph (b) exceeds the profits mentioned in paragraph (a), the company's "relevant non-trading profits" for the accounting period are nil.

- (3) To determine a company's qualifying trading profits and qualifying non-trading profits for an accounting period—

Step 1 - modified total profits

- (1) Calculate the company's total profits for the accounting period.
- (2) For the purposes of this subsection assume that the company's total profits for the accounting period are to be calculated with the modifications set out in subsection (4).
- (3) If the company's total profits for the accounting period (as modified under paragraph (2)) are not greater than nil, the company's qualifying trading profits and relevant non-trading profits for the accounting period are both nil.
- (4) Otherwise, proceed with steps 2 to 5.

Step 2 - negative amount for apportioning under step 4

- (1) Calculate the sum ("the step 2 amount") of any amounts which (on the assumption set out in paragraph (2) of step 1), could be relieved against the company's total profits of the accounting period.
- (2) But in calculating that sum, ignore the amount of any excluded deductions for the accounting period (see subsection (5)).
- (3) If the company's total profits for the accounting period (as modified under step 1(2)) do not exceed the amount given by this step, the qualifying trading profits and the qualifying non-trading profits are both nil.
- (4) Otherwise, proceed with steps 3 to 5.

Step 3 - trade profits and non-trade profits Divide the company's total profits for the accounting period (as modified under step 1(2)) into—

- (a) profits of a trade of the company (the company's "trade profits"), and
- (b) profits that are not profits of a trade of the company (the company's "non-trade profits").

Step 4 - apportioning the step 2 amount Take the step 2 amount and do one of the following—

- (a) reduce the company's trade profits by the whole of that amount,

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (b) reduce the company's non-trade profits by the whole of that amount, or
- (c) reduce the company's trade profits by part of that amount and reduce the company's non-trade profits by the remaining part of that amount.

Apply this step in a way which ensures that neither the company's trade profits nor the company's non-trade profits are reduced below nil.

Step 5 - amount of qualifying trading or non-trading profits (if not determined under step 1 or 2) The amounts resulting from step 3, after any reduction under step 4, are—

- (a) in the case of the amount in step 3(a), the company's qualifying trading profits, and
- (b) in the case of the amount in step 3(b), the company's qualifying non-trading profits.

- (4) For the purposes of subsection (3) the company's total profits for an accounting period are to be calculated with the following modifications—
- (a) ignore any income so far as it falls within, and is dealt with under, Part 9A of CTA 2009 (company distributions);
 - (b) ignore any ring fence profits (as defined in section 276);
 - (c) ignore any contractor's ring fence profits (as defined in section 356LD);
 - (d) if the company is an insurance company, ignore any I-E profit (see section 141(2) of FA 2012);
 - (e) make no deductions under sections 45(4)(b) and 45B (carry forward of trade loss against subsequent trade profits) other than deductions that would be ignored for the purposes of section 269ZB by reason of—
 - (i) section 1209(3), 1210(5A) or 1211(7A) of CTA 2009 (losses of film trade),
 - (ii) section 1216DA(3), 1216DB(5A) or 1216DC(7A) of that Act (losses of television programme trade),
 - (iii) section 1217DA(3), 1217DB(5A) or 1217DC(7A) of that Act (losses of video game trade),
 - (iv) section 1217MA(3) or 1217MC(9) of that Act (losses of theatrical trade),
 - (v) section 1217SA(3) or 1217SC(9) of that Act (losses of orchestral trade),
 - (vi) section 1218ZDA(3) or 1218ZDC(9) of that Act (losses of museum or gallery exhibition trade),
 - (vii) section 65(4B) or 67A(5A) (losses of UK or EEA furnished holiday lettings business),
 - (viii) section 269ZJ(1) (insurance companies: shock losses),
 - (ix) section 304(7) (certain losses of ring fence trades), or
 - (x) section 356NJ(2) (pre-1 April 2017 loss arising from oil contractor activities);
 - (f) make no restricted deductions (as defined in section 269ZB(4)) under section 303B(4) or 303D(5)); and

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (g) make no deductions under section 457(3) or 463H(5) of CTA 2009 (carry forward of non-trading deficits from loan relationships against subsequent non-trading profits), other than deductions that would be ignored for the purposes of section 269ZC by reason of section 269ZJ(2) (insurance companies: shock losses).
- (5) The following are “excluded deductions” for an accounting period (“the current accounting period”)—
- (a) a deduction for the current accounting period which is a relevant deduction for the purposes of section 269ZD (see subsection (3) of that section);
 - (b) a deduction under section 37 (relief for trade losses against total profits) in relation to a loss made in an accounting period after the current accounting period;
 - (c) a deduction under section 45F (terminal losses);
 - (d) a deduction under section 260(3) of CAA 2001 (special leasing of plant or machinery: carry back of excess allowances) in relation to capital allowances for an accounting period after the current accounting period; and
 - (e) a deduction under section 463E of CTA 2009 (non-trading deficit from loan relationships) in relation to a deficit for a period after the current accounting period.

Exclusion for certain general insurance companies

269ZG General insurance companies: excluded accounting periods

- (1) Nothing in sections 269ZB to 269ZE has effect for determining the taxable total profits of a general insurance company for an excluded accounting period.
- (2) An accounting period of a general insurance company is an “excluded accounting period” if conditions A and B are met.
- (3) Condition A is that—
 - (a) the company is subject to insolvency procedures (see section 269ZH) at the end of the accounting period,
 - (b) immediately before it became subject to insolvency procedures the company—
 - (i) was unable to pay its debts as they fell due, and
 - (ii) met the non-viability condition, and
 - (c) the company's liabilities in respect of qualifying latent claims (see section 269ZI) were the main factor contributing to the company's meeting the non-viability condition at that time.
- (4) Condition B is that—
 - (a) at the end of the accounting period the company meets the non-viability condition, and
 - (b) the company's liabilities in respect of qualifying latent claims are the main factor contributing to the company's meeting that condition at that time.

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (5) At any time, a general insurance company meets the non-viability condition if there is no realistic prospect that it will subsequently write any new insurance business.
- (6) For the purposes of this section a person who carries on the activity of effecting or carrying out contracts of general insurance is a “general insurance company” if—
- (a) the person has permission under Part 4A of the Financial Services and Markets Act 2000 to carry on that activity,
 - (b) the person is of the kind mentioned in paragraph 5(d) or (da) of Schedule 3 to the Financial Services and Markets Act 2000 (EEA passport rights) and carries on that activity in the United Kingdom through a permanent establishment there, or
 - (c) the person qualifies for authorisation under Schedule 4 to the Financial Services and Markets Act 2000 (Treaty rights) and carries on that activity in the United Kingdom through a permanent establishment there.
- (7) The definition in subsection (6) is subject to the following qualifications—
- (a) a friendly society within the meaning of Part 3 of FA 2012 is not a general insurance company, and
 - (b) an insurance special purpose vehicle (as defined in section 139 of FA 2012) is not a general insurance company.
- (8) In this section—
- “contract of general insurance” means a contract of a type described in Part 1 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544);
- “liability” includes a contingent or prospective liability.

269ZH “Insolvency procedures”

- (1) For the purposes of section 269ZG a company is subject to insolvency procedures if—
- (a) it is in liquidation,
 - (b) it is in administration,
 - (c) it is in receivership, or
 - (d) a relevant scheme has effect in relation to it.
- (2) A company is “in liquidation” for the purposes of this section if—
- (a) it is in liquidation within the meaning of section 247 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or
 - (b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.
- (3) A company is “in administration” for the purposes of this section if—
- (a) it is in administration within the meaning of Schedule B1 to the Insolvency Act 1986 or Schedule B1 to the Insolvency (Northern Ireland) Order 1989, or

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (b) there is in force in relation to it under the law of a country or territory outside the United Kingdom any appointment corresponding to the appointment of an administrator under either of those Schedules.
- (4) A company is “in receivership” for the purposes of this section if there is in force in relation to it—
- (a) an order for the appointment of an administrative receiver, a receiver and manager or a receiver under Chapter 1 or 2 of Part 3 of the Insolvency Act 1986 or Part 4 of the Insolvency (Northern Ireland Order) 1989, or
 - (b) any corresponding order under the law of a country or territory outside the United Kingdom.
- (5) In this section “relevant scheme” means a compromise or arrangement—
- (a) under section 425 of the Companies Act 1985, Article 418 of the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)) or Part 26 of the Companies Act 2006, or
 - (b) under any corresponding provision of the law of a country or territory outside the United Kingdom.

269ZI “Qualifying latent claims”

- (1) This section applies for the purposes of section 269ZG.
- (2) Where a general insurance company has a liability in respect of a claim, the claim is a “qualifying latent claim” if conditions A to C are met.
- (3) In this section “claim” means a claim (whether actual or potential) under an insurance policy.
- (4) Condition A is that—
 - (a) the claim is of a type that was not reasonably foreseeable at the time when the insurance policy concerned was entered into, and
 - (b) it is likely that, had the company foreseen that type of claim, the price or other terms of the policy would have been significantly different.
- (5) Condition B is that the latency period associated with that type of claim (see subsection (7)) is more than 10 years.
- (6) Condition C is that the insurance policy, or the part of the insurance policy under which the claim is or would be made, is—
 - (a) an employer's liability policy, or
 - (b) a public or products liability policy.
- (7) The “latency period” associated with a type of claim is the mean period for claims of the type between—
 - (a) the insured event giving rise to the claim, and
 - (b) notification of the claim.
- (8) The mean period mentioned in subsection (7) is to be determined as at the end of the accounting period mentioned in section 269ZG(2).
- (9) In this section—

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

“employer's liability policy” means an insurance policy against the risks of the person insured incurring liabilities to the insured's employees for injury, illness or death arising out of their employment during the course of business;

“general insurance company” is to be interpreted in accordance with section 269ZG;

“insurance policy” includes any contract of insurance;

“liability” includes a contingent or prospective liability;

“public or products liability policy” means an insurance policy against the risks of the person insured incurring liabilities to third parties for damage to property, injury, illness or death, arising in the course of the insured's business.

269ZJ Exclusion of shock losses from restrictions

- (1) If a shock loss is—
 - (a) carried forward to an accounting period of an insurance company (see section 269ZP(2)), and
 - (b) deducted under section 45B (post-1 April 2017 trade losses carried forward against trade profits),
 the deduction is to be treated as not falling within section 269ZB(3).
- (2) If a shock loss is—
 - (a) carried forward to an accounting period of an insurance company, and
 - (b) deducted under section 463H of CTA 2009 (carry forward of unrelieved non-trading deficit from loan relationships against non-trading profits),
 the company is to be treated for the purposes of sections 269ZC and 269ZD(2)(b)(ii) as not having made that deduction.
- (3) If an insurance company makes a deduction of (or in respect of) a shock loss, that deduction is not a “relevant deduction” for the purposes of section 269ZD (restriction on deductions from total profits).
- (4) See also section 124E of FA 2012 (exclusion from the restriction on deductions from BLAGAB trade profits).

269ZK Meaning of “shock loss”: requirement to make a claim

- (1) If the conditions in subsection (3) are met, an insurance company may make a claim in respect of—
 - (a) a loss or other amount (the “specified loss”), and
 - (b) a period of 12 months (“the specified period”) which is a solvency shock period (see section 269ZM).
- (2) A claim may specify more than one 12 month period under subsection (1) (b) (but periods specified by an insurance company under this section may not overlap with one another).
- (3) The conditions are that—

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (a) the accounting period (for corporation tax purposes) in which the specified loss arises (“the loss-making period”) begins on or after 1 April 2017,
 - (b) the specified loss is, or is capable of being, carried forward to a subsequent accounting period, and
 - (c) the loss-making period and the specified period have one or more days in common.
- (4) A claim under this section must be made within—
- (a) the period of two years after the end of the loss-making period, or
 - (b) such further period as an officer of Revenue and Customs allows.
- (5) If—
- (a) a claim is made under this section, and
 - (b) the whole of the loss-making period is, or falls within, the specified period,
- the specified loss is a “shock loss”.
- (6) If—
- (a) a claim is made under this section, and
 - (b) the loss-making period falls partly, but not wholly, in the specified period,
- the specified loss is a “shock loss” so far as it is attributable to the specified period.
- (7) For the purposes of subsection (6) the specified loss is “attributable to” the specified period in the proportion—

$$\frac{P}{N}$$

Where P is the number of days of the loss-making period that fall within the specified period and N is the number of days in the loss-making period.

- (8) If the method in subsection (7) would produce a result that is unjust or unreasonable, the apportionment of the specified loss for the purposes of subsection (6) is to be made on a just and reasonable basis.

269ZL Further provision about claims under section 269ZK

- (1) A claim under section 269ZK is not effective unless—
- (a) the claim—
 - (i) states the company's solvency capital requirement at the beginning of the specified period,
 - (ii) states the company's shock loss threshold for that period, and sets out the calculation of that amount (as described in steps 2 to 5 of 269ZN(1)), and
 - (iii) states the amount of the company's solvency loss for that period (see section 269ZO), and
 - (b) the company submits with the claim—

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (i) information (“the submitted information”) corresponding to the information specified in the template mentioned in point (i), (j) or (k) (as the case requires) of Article 4 of the technical standards implementing Regulation, and
 - (ii) a report provided by the appropriate person which meets the condition in subsection (2).
- (2) The condition is that the report includes an opinion confirming that—
- (a) the submitted information is prepared in all material respects in accordance with any relevant requirements which would apply if the submitted information were disclosed as part of the company's report on solvency and financial condition,
 - (b) the calculation of the company's shock loss threshold (not including step 1(a) of section 269ZN(1)) complies in all material respects with section 269ZN, and
 - (c) the company's solvency loss is calculated in all material respects in accordance with section 269ZO.
- (3) In this section “relevant requirements” means—
- (a) requirements under rules made by the Prudential Regulation Authority, and
 - (b) requirements under any directly applicable EU regulation made under the Solvency 2 Directive.
- (4) In this section “the appropriate person” means—
- (a) the company's chief actuary, or
 - (b) (if the company is not a PRA-authorized person) a person with equivalent functions.
- (5) Subsections (1)(b)(i), (2)(a) and (3) have effect in relation to a third-country insurance undertaking as if it were an insurance undertaking.

269ZM Meaning of “solvency shock period”

A period of 12 months is a “solvency shock period” in relation to an insurance company if the company has a solvency loss for that period (see section 269ZO) which exceeds the company's shock loss threshold for that period (see section 269ZN).

269ZN Determination of shock loss threshold

- (1) A company's shock loss threshold for a 12 month period is determined as follows.
- Step 1*
- (a) Calculate the company's solvency capital requirement at the beginning of that period.
 - (b) But any adjustment for the loss-absorbing capacity of deferred taxes is to be calculated, and applied, on the assumption that that period is a solvency shock period in relation to the company.
 - (c) The resulting amount is the company's “adjusted SCR”.

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

Step 2 Calculate the deductible amount (see subsection (2)) for each relevant ring-fenced fund of the company.

Step 3 Deduct the total of the amounts found under step 2 from the company's adjusted SCR.

Step 4 Multiply the amount found under step 3 by 90%.

Step 5 The result is the company's shock loss threshold for the period.

- (2) The deductible amount for a relevant ring-fenced fund is the lesser of A and B, where—
- (a) A is the amount of basic own funds within that fund at the beginning of the period (or zero, if greater);
 - (b) B is the notional solvency capital requirement for that fund at the beginning of that period.
- (3) But in calculating amount A for the purposes of subsection (2)—
- (a) no account is to be taken of the value of future transfers attributable to shareholders;
 - (b) a restricted own-fund item within the fund is to be disregarded if the company's with-profits actuary provides a written opinion confirming that the condition in subsection (4) is met.
- (4) The condition is that—
- (a) the item is available as a restricted own-fund item pursuant to conditional support arrangements, and
 - (b) if at the time mentioned in subsection (2)(a) or any subsequent time (when the conditional support arrangements are in place) the value of the company's interest in the item were to be (or is in fact) greater than zero, that value would be recognised for the purposes of a balance sheet drawn up at the time in question by the company in accordance with generally accepted accounting practice.
- (5) In this section “conditional support arrangements” means arrangements under which the relevant restrictions would cease to apply if specified conditions relating to the financial strength of the fund were met.
- (6) In subsection (5) “the relevant restrictions” means the restrictions on transferability as a result of which the item is a restricted own-fund item.
- (7) In this section “adjustment for the loss-absorbing capacity of deferred taxes” means—
- (a) an adjustment pursuant to Article 103(c) of the Solvency 2 Directive, or
 - (b) any corresponding adjustment made pursuant to Subsection 3 of Section 4 of Chapter 6 of Title 1 of the Solvency 2 Directive (solvency capital requirement full and partial internal models).
- (8) Where the company is a third-country insurance undertaking—
- (a) steps 1(b) and 2 to 5 of subsection (1), and
 - (b) subsections (2) to (7),
- have effect with any modifications that are appropriate as a result of the reference in step 1(a) of subsection (1) to the “solvency capital requirement” having effect in accordance with section 269ZP(1)(b).

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

269ZO Calculation of solvency loss

- (1) An insurance company's solvency loss (if any) for a 12 month period is determined as follows.
- (2) Calculate, in the manner set out in subsections (5) to (11)—
 - (a) whether the total amount of the company's basic own funds at the beginning of the period (“opening BOF”) exceeds the total amount of the company's basic own funds at the end of the period (“closing BOF”), and
 - (b) if so, the amount by which opening BOF exceeds closing BOF.
- (3) The company has a solvency loss for the 12 month period only if an excess of opening BOF over closing BOF is found under subsection (2)(a).
- (4) The amount found under subsection (2)(b) is the amount of the solvency loss.
- (5) The method of calculation under subsection (2) must fairly represent the method by which the company calculates its solvency capital requirement.
 But this is subject to subsections (6) to (10).
- (6) Closing BOF is to be calculated on the assumption that the 12 month period mentioned in subsection (1) is a solvency shock period in relation to the company.
- (7) The following adjustments are to be made in calculating the company's basic own funds at the beginning and end of the period—
 - (1) Find (with respect to each of those times) what that amount would be in the absence of this subsection.
 - (2) Find the surplus in respect of each relevant ring-fenced fund of the company (at the time in question).
 - (3) Deduct the total of the amounts found under paragraph 2 from the amount found under paragraph 1.

The result is to be taken to be the amount of the company's basic own funds at the beginning, or (as the case may be) the end, of the period.
- (8) The surplus in respect of a relevant ring-fenced fund (at any time) is equal to—
 - (a) the amount of basic own funds attributable to policyholders, or
 - (b) zero, if greater.
- (9) For any relevant ring-fenced fund, the amount of basic own funds attributable to policyholders (at any time) is equal to—

$$A - B$$

where—

A is the amount of basic own funds within the relevant ring-fenced fund;

B is the total of any items in the fund that fall within subsection (10).

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (10) The items are—
- (a) the value of future transfers attributable to shareholders;
 - (b) any restricted own-fund item in relation to which the company's with-profits actuary provides a written opinion confirming that the condition in subsection (4) of section 269ZN is met.
- (11) In subsection (5) the reference to the “method” of a calculation is to the—
- (a) taking into account, and
 - (b) leaving out of account,
- of variations in items of basic own funds for the purposes of the calculation.
- (12) If the company is a third-country insurance undertaking, subsections (1) to (11) have effect in relation to it as if it were an insurance undertaking.

269ZP Interpretation of sections 269ZJ to 269ZO

- (1) In sections 269ZJ to 269ZO “solvency capital requirement”—
- (a) in relation to an insurance undertaking or a reinsurance undertaking, means the solvency capital requirement pursuant to Section 4 of Chapter 6 of Title 1 of the Solvency 2 Directive;
 - (b) in relation to a third-country insurance undertaking, means the amount that would be the undertaking's solvency capital requirement pursuant to Section 4 of Chapter 6 of Title 1 of the Solvency 2 Directive if that undertaking were an insurance undertaking.
- (2) In sections 269ZJ to 269ZO and this section—
- “actuarial function”, in relation to a PRA-authorised person, has the meaning given by the PRA Rulebook;
 - “basic own funds” is to be interpreted in accordance with Article 88 of the Solvency 2 Directive;
 - “chief actuary”, in relation to a PRA-authorised person, means a person who has the function of having responsibility for the actuarial function;
 - “insurance company” means a company which is an insurance undertaking, a reinsurance undertaking or a third-country insurance undertaking;
 - “insurance undertaking” has the meaning given in Article 13(1) of the Solvency 2 Directive;
 - “notional solvency capital requirement”, in relation to a ring-fenced fund, has the same meaning as in Commission Delegated Regulation (EU) 2015/35 supplementing the Solvency 2 Directive;
 - “PRA-authorised person” has the same meaning as in the Financial Services and Markets Act 2000 (see section 2B(5) of that Act);
 - “the PRA Rulebook” means the Rulebook made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000 (as that Rulebook has effect from time to time);
 - “reinsurance undertaking” has the meaning given in Article 13(4) of the Solvency 2 Directive;

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

“relevant ring-fenced fund” means a ring-fenced fund that is a with-profits fund;

“report on solvency and financial condition” means a report on solvency and financial condition pursuant to Article 51 of the Solvency 2 Directive;

“restricted own-fund item” is to be interpreted in accordance with Article 80(2) of Commission Delegated [Regulation \(EU\) 2015/35](#) supplementing the Solvency 2 Directive;

“ring-fenced fund” has the same meaning as in Commission Delegated [Regulation \(EU\) 2015/35](#) supplementing the Solvency 2 Directive;

“Solvency 2 Directive” means Directive [2009/138/EC](#) of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

“technical standards implementing Regulation” means Commission Implementing [Regulation \(EU\) 2015/2452](#) of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with the Solvency 2 Directive;

“third-country insurance undertaking” means an undertaking that has received authorisation under Article 162 of the Solvency 2 Directive from the Prudential Regulation Authority or the Financial Conduct Authority;

“value of future transfers attributable to shareholders” has the same meaning as in Article 80 of Commission Delegated [Regulation \(EU\) 2015/35](#) supplementing the Solvency 2 Directive;

“with-profits fund” has the meaning given by the Glossary forming part of the PRA Rulebook;

“with-profits actuary” has the meaning given by the Glossary forming part of the Handbook made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 (as that Handbook has effect from time to time).

269ZQ Power to amend

- (1) The Treasury may by regulations make such amendments of the provisions mentioned in subsection (2) as they consider appropriate in consequence of—
 - (a) any change made to, or replacement of, the PRA Rulebook or the FCA Handbook;
 - (b) any regulatory requirement, or change to a regulatory requirement, imposed by EU legislation, or by or under any Act (whenever adopted, enacted or made).
- (2) The provisions are—
 - (a) sections 269ZJ to 269ZP,
 - (b) sections 124A to 124E of FA 2012.
- (3) Regulations under this section may include transitional provision.

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

(4) In this section—

“the PRA Rulebook” means the Rulebook made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000 (as that Rulebook has effect from time to time);

“the FCA Handbook means the Handbook made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 (as that Handbook has effect from time to time).

Deductions allowance

269ZR Deductions allowance for company in a group

- (1) This section makes provision as to the deductions allowance of a company for an accounting period where, at any time in the period—
- the company is a member of a group, and
 - one or more other companies within the charge to corporation tax are members of that group.
- (2) The company's deductions allowance for the accounting period is the sum of—
- any amounts of group deductions allowance allocated to the company for the period in accordance with sections 269ZS to 269ZV, and
 - the appropriate amount of non-group deductions allowance of the company for the period,
- up to a limit of £5,000,000.
- (3) The “appropriate amount of non-group deductions allowance” of the company, for the accounting period, is—

$$\frac{\text{DNG}}{\text{DAC}} \times \pounds 5,000,000$$

where—

“DNG” is the number of days in the period on which the company is not a member of a group that has another member that is a company within the charge to corporation tax, and

“DAC” is the total number of days in the period.

- (4) If the accounting period is less than 12 months—
- the appropriate amount of non-group deductions allowance, and
 - the limit in subsection (2),
- are proportionally reduced.

269ZS Group deductions allowance and the nominated company

- (1) This section applies where—

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (a) two or more members of a group are companies within the charge to corporation tax, and
 - (b) all the companies within the charge to corporation tax that are members of the group together nominate (“the group allowance nomination”) one of their number (“the nominated company”) for the purposes of this Part.
- (2) The “group deductions allowance” for the group is £5,000,000 for each accounting period of the nominated company throughout which the group allowance nomination has effect.
- (3) If the group allowance nomination takes effect, or ceases to have effect, part of the way through an accounting period of the nominated company, the “group deductions allowance” for the group for that period is—

$$\frac{\text{DN}}{\text{DAC}} \times \text{£}5,000,000$$

where—

“DN” is the number of days in the accounting period on which a group allowance nomination that nominates the nominated company in relation to the group has effect, and

“DAC” is the total number of days in the accounting period.

- (4) If an accounting period of the nominated company is less than 12 months, the group deductions allowance for that period is proportionally reduced.
- (5) A group allowance nomination must state the date on which it is to take effect (which may be earlier than the date the nomination is made).
- (6) A group allowance nomination is of no effect unless it is signed by the appropriate person on behalf of each company that is, when the nomination is made, a member of the group and within the charge to corporation tax.
- (7) A group allowance nomination ceases to have effect—
 - (a) immediately before the date on which a new group allowance nomination in respect of the group takes effect,
 - (b) upon the appropriate person in relation to a company within the charge to corporation tax that is a member of the group notifying an officer of Revenue and Customs, in writing, that the group allowance nomination is revoked, or
 - (c) upon the nominated company ceasing to be a company within the charge to corporation tax or ceasing to be a member of the group.
- (8) The Commissioners for Her Majesty's Revenue and Customs may by regulations make further provision about a group allowance nomination or any notification under this section including, in particular, provision—
 - (a) about the form and manner in which a nomination or notification may be made,

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (b) about how a nomination may be revoked and the form and manner of such revocation,
 - (c) requiring a person to notify HMRC of the making or revocation of a nomination,
 - (d) requiring a person to give information to HMRC in connection with the making or revocation of a nomination or the giving of a notification,
 - (e) imposing time limits in relation to making or revoking a nomination or giving a notification, and
 - (f) providing that a nomination or its revocation, or a notification, is of no effect, or ceases to have effect, if time limits or other requirements under the regulations are not met.
- (9) In this Part “the appropriate person”, in relation to a company, means—
- (a) the proper officer of the company, or
 - (b) such other person as may for the time being have the express, implied or apparent authority of the company to act on its behalf for the purposes of this Part.
- (10) Subsections (3) and (4) of section 108 of TMA 1970 (responsibility of company officers: meaning of “proper officer”) apply for the purposes of subsection (9) as they apply for the purposes of that section.

269ZT Group allowance allocation statement: submission

- (1) A company must submit a group allowance allocation statement to HMRC for each of its accounting periods in which it is the nominated company in relation to a group.
- This is subject to subsections (2) and (3).
- (2) If a company ceases to be the nominated company in relation to a group before it submits a group allowance allocation statement to HMRC for an accounting period—
- (a) that company may not submit the statement, and
 - (b) the company that is for the time being the nominated company in relation to the group must do so.
- (3) But if a new group allowance nomination in respect of the group takes effect on a date before it is made, that does not affect the validity of the submission of any group allowance allocation statement submitted before the date the new nomination is made.
- (4) A group allowance allocation statement under this section must be received by HMRC before the first anniversary of the filing date for the company tax return for the accounting period to which the statement relates.
- (5) A group allowance allocation statement under this section may be submitted at a later time if an officer of Revenue and Customs allows it.
- (6) A group allowance allocation statement under this section must comply with the requirements of section 269ZV.

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

269ZU Group allowance allocation statement: submission of revised statement

- (1) This section applies if a group allowance allocation statement has been submitted under section 269ZT, or this section, in respect of an accounting period of a company that is, or was, a nominated company (“the nominee’s accounting period”).
- (2) A revised group allowance allocation statement in respect of the nominee’s accounting period may be submitted to HMRC by the company that is for the time being the nominated company in relation to the group.
- (3) But if a new group allowance nomination in respect of the group takes effect on a date before it is made, that does not affect the validity of the submission of any revised group allowance allocation statement submitted before the date the new nomination is made.
- (4) A revised group allowance allocation statement may be submitted on or before whichever is the latest of the following dates—
 - (a) the first anniversary of the filing date for the company tax return for the nominee’s accounting period,
 - (b) if notice of enquiry (within the meaning of Schedule 18 to FA 1998) is given into a relevant company tax return, 30 days after the enquiry is completed,
 - (c) if, after such an enquiry, an officer of Revenue and Customs amends the return under paragraph 34(2) of that Schedule, 30 days after the notice of amendment is issued,
 - (d) if an appeal is brought against such an amendment, 30 days after the date on which the appeal is finally determined.
- (5) A revised group allowance allocation statement may be submitted at a later time if an officer of Revenue and Customs allows it.
- (6) In this section “relevant company tax return” means a company tax return of a company for an accounting period for which an amount of group deductions allowance was, or could have been, allocated by a previous group allowance allocation statement in respect of the nominee’s accounting period.
- (7) The references in subsection (4) to an enquiry into a relevant company tax return do not include an enquiry resulting from an amendment of such a return where—
 - (a) the scope of the enquiry is limited as mentioned in paragraph 25(2) of Schedule 18 to FA 1998 (enquiry into amendments when time limit for enquiry into return as originally submitted is passed), and
 - (b) the amendment relates only to the allocation of group deductions allowance for the nominee’s accounting period.
- (8) A group allowance allocation statement under this section must comply with the requirements of section 269ZV.

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

269ZV Group allowance allocation statement: requirements and effects

- (1) This section applies in relation to a group allowance allocation statement submitted under section 269ZT or 269ZU.
- (2) The statement must be signed by the appropriate person in relation to the company giving the statement.
- (3) The statement must—
 - (a) identify the group to which it relates,
 - (b) specify the accounting period, of the company that is or was the nominated company, to which the statement relates (“the nominee’s accounting period”),
 - (c) specify the days in the nominee’s accounting period on which that company was the nominated company in relation to the group or state that that company was the nominated company throughout the period,
 - (d) state the group deductions allowance the group has for the nominee’s accounting period,
 - (e) list one or more of the companies that were members of the group and within the charge to corporation tax in the nominee’s accounting period (“listed companies”),
 - (f) allocate amounts of the group deductions allowance to the listed companies, and
 - (g) for each amount of group deductions allowance allocated to a listed company, specify the accounting period of the listed company for which it is allocated.
- (4) An amount of group deductions allowance allocated to a listed company must be allocated to that company for an accounting period that falls wholly or partly in the nominee’s accounting period.
- (5) The maximum amount of group deductions allowance that may be allocated, by the group allowance allocation statement, to a listed company for an accounting period of that company is—

$$\frac{\text{DAP}}{\text{DNAP}} \times \text{GSA}$$

where—

“DAP” is the number of days in the accounting period of the listed company that are—

- (a) days in the nominee’s accounting period, and
- (b) days on which the company was a member of the group,

“DNAP” is the number of days in the nominee’s accounting period, and

“GSA” is the group deductions allowance of the group for the nominee’s accounting period.

Status: Point in time view as at 15/03/2018.

*Changes to legislation: There are currently no known outstanding effects
for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)*

- (6) The sum of the amounts allocated to listed companies by the group allowance allocation statement may not exceed the group deductions allowance for the nominee's accounting period.
- (7) If a group allowance allocation statement is submitted that does not comply with subsection (5) or (6), the company that is, for the time being, the nominated company in relation to the group must submit a revised group allowance allocation statement that does comply with those subsections within 30 days of the date on which the group allowance allocation statement that did not comply was submitted or within such further period as an officer of Revenue and Customs allows.
- (8) If a group allowance allocation statement—
 - (a) complies with those subsections when it is submitted, but
 - (b) subsequently ceases to comply with either of them,the company that is, for the time being, the nominated company in relation to the group must submit a revised group allowance allocation statement that does comply with those subsections within 30 days of the date on which the group allowance allocation statement ceased to comply with one of those subsections or within such further period as an officer of Revenue and Customs allows.
- (9) If a company fails to comply with subsection (7) or (8), an officer of Revenue and Customs may by written notice to the company amend the group allowance allocation statement as the officer thinks fit for the purpose of making it comply with subsections (5) and (6).
- (10) An officer of Revenue and Customs who issues a notice under subsection (9) to a company must, at the same time, send a copy of the notice to each of the listed companies.
- (11) The time limits otherwise applicable to the amendment of a company tax return do not apply to any such amendment to the extent that it is made in consequence of a group allowance allocation statement being submitted in accordance with section 269ZT or 269ZU.
- (12) The Commissioners for Her Majesty's Revenue and Customs may by regulations make further provision about a group allowance allocation statement including, in particular, provision—
 - (a) about the form of a statement and the manner in which it is to be submitted,
 - (b) requiring a person to give information to HMRC in connection with a statement,
 - (c) as to the circumstances in which a statement that is not received by the time specified in section 269ZU(4) is to be treated as if it were so received, and
 - (d) as to the circumstances in which a statement that does not comply with the requirements of this section is to be treated as if it did comply.

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

269ZW Deductions allowance for company not in a group

- (1) This section makes provision as to the deductions allowance of a company for an accounting period where section 269ZR (deductions allowance for company in a group) does not apply.
- (2) The company's deductions allowance for the accounting period is £5,000,000.
- (3) If the accounting period is less than 12 months, the company's deductions allowance for the period is proportionally reduced.

269ZX Increase of deductions allowance where provision for onerous lease reversed

- (1) This section applies if—
 - (a) a relevant reversal credit (see section 269ZY) is brought into account in calculating a company's specified profits for an accounting period, and
 - (b) the amount of the company's specified profits for the accounting period is greater than nil.
- (2) For the purposes of this section a company's “specified profits” for an accounting period are the sum of—
 - (a) the company's total profits for the accounting period, calculated with the modifications set out in section 269ZF(4), and
 - (b) any I-E profit of the company for the accounting period.
- (3) The company's deductions allowance for the accounting period (as determined in accordance with section 269ZR or 269ZW) is to be treated (for all purposes) as increased by—
 - (a) the amount of the relevant reversal credit, or
 - (b) if lower, the amount of the specified profits.

269ZY Meaning of “relevant reversal credit”

- (1) For the purposes of section 269ZX a “relevant reversal credit” is a credit, or other income, brought into account in respect of the relevant reversal (see subsections (3) and (5)) of a relevant onerous lease provision.
- (2) A provision in the accounts of a company (“C”) is a “relevant onerous lease provision” if—
 - (a) the provision relates to a lease of land under which C is the tenant (and “L” is the landlord),
 - (b) the provision is required, for accountancy purposes, as a provision for an onerous lease, and
 - (c) the lease was entered into at arm's length.
- (3) The reversal (in whole or in part) of a relevant onerous lease provision is a “relevant reversal” if—

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (a) the reversal is required for accountancy purposes as a result of an arrangement (“C’s arrangement”) made at arm’s length under which C’s obligations under the lease are varied or cancelled,
 - (b) subsection (4) does not apply, and
 - (c) at least one of conditions X, Y and Z in subsection (7) is met.
- (4) This subsection applies if—
- (a) C and L are connected at the time when C’s arrangement is made, or
 - (b) the landlord who granted the lease (whether that was L or another person) and the tenant to whom it was granted (whether that was C or another person) were connected at the time when the lease was granted.
- (5) The reversal (in whole or in part) of a relevant onerous lease provision is a “relevant reversal” if—
- (a) the lease has been granted out of a lease (“the superior lease”),
 - (b) L and C are members of the same group of companies,
 - (c) the reversal would be a relevant reversal by virtue of subsection (3) if the condition in subsection (3)(b) (lack of connection between C and L) were met,
 - (d) the terms of C’s arrangement substantially reflect those of an arrangement (“L’s arrangement”) made at arm’s length under which L’s obligations under the superior lease are varied or cancelled, and
 - (e) subsection (6) does not apply.
- (6) This subsection applies if—
- (a) at the time when L’s arrangement is made, the landlord under the superior lease (“S”) is connected with L or C, or
 - (b) the landlord who granted the superior lease (whether that is S or another person) and the tenant to whom it was granted (whether that was L or another person) were connected at the time when that lease was granted.
- (7) The conditions mentioned in subsection (3)(c) are as follows.
- Condition X is that—
- (a) it is reasonable to suppose that immediately before C’s arrangement was made there was a material risk that at some time within the next 12 months C would be unable to pay its debts as they fell due, and
 - (b) the sole or main purpose of C’s arrangement was to avert that risk (whether directly or indirectly).
- Debts due to a person connected with C are to be regarded as not being debts for the purposes of paragraph (a).
- Condition Y is that C is in insolvent administration.
- Condition Z is that C’s arrangement is, or is part of, a statutory insolvency arrangement.
- (8) In this section “statutory insolvency arrangement” means—
- (a) a voluntary arrangement that has taken effect under, or as a result of, the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/ 2405 (N.I. 19)),

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (b) a compromise or arrangement that has taken effect under Part 26 of the Companies Act 2006, or
 - (c) an arrangement or compromise of a kind corresponding to any of those mentioned in paragraph (a) or (b) that has taken effect under, or as a result of, the law of a country or territory outside the United Kingdom,
- (and for the purposes of this section an arrangement which is, or is part of, a statutory insolvency arrangement is taken to be “made” when the statutory insolvency arrangement takes effect).
- (9) For the purposes of this section a company in administration is in insolvent administration if—
 - (a) it entered administration under Schedule B1 to the Insolvency Act 1986, or Schedule B1 to the Insolvency (Northern Ireland) Order 1989, at a time when its assets were insufficient for the payment of its debts and other liabilities and the expenses of the administration, or
 - (a) under the law of a country or territory outside the United Kingdom circumstances corresponding to those mentioned in paragraph (a) exist.
 - (10) In the application of subsection (5) to Scotland, the reference to the lease having been granted out of the superior lease is to the lease being a sublease of land subject to the superior lease.
 - (11) Section 152 (groups of companies) applies for the purposes of this section as it applies for the purposes of Part 5.
 - (12) For the purposes of this section any question whether a person is connected with another is to be determined in accordance with section 1122.

269ZZ Company tax return to specify amount of deductions allowance

- (1) A company's tax return for an accounting period must specify—
 - (a) the amount of the company's deductions allowance for the period, and
 - (b) if section 269ZX (increase of deductions allowance where provision for onerous lease reversed) applies, what that amount would be without the increase provided for by subsection (3) of that section.
- (2) But subsection (1) applies only if the company makes for the accounting period a deduction to which section 269ZB(2), 269ZC(2) or 269ZD(2) or section 124D(1) of FA 2012 applies.

269ZZA Excessive specifications of deductions allowance

- (1) This section applies if a company's tax return for an accounting period specifies an excessive amount as—
 - (a) the company's deductions allowance for the period,
 - (b) the company's trading profits deductions allowance for the period,
 - (c) the company's non-trading profits deductions allowance for the period,

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (d) the company's contractor's ring fence profits deductions allowance for the period, or
 - (e) the company's BLAGAB trade profits deductions allowance for the period.
- (2) The company must, so far as it may do so, amend the company tax return so that the amount specified is not excessive.
- (3) If an officer of Revenue and Customs considers that an undue amount of relief has been given as a consequence of the amount specified being excessive, the officer may make an assessment to tax in the amount which in the officer's opinion ought to be charged.
- (4) If—
- (a) the amount specified became excessive in consequence of an alteration being made to the amount of group deductions allowance allocated to the company for the accounting period concerned, and
 - (b) the company has failed, or is unable, to amend its company tax return in accordance with subsection (2),
- an assessment under subsection (3) is not out of time if it is made within 12 months of the date on which the alteration took place.
- (5) The power in subsection (3) is without prejudice to the power to make a discovery assessment under paragraph 41(1) of Schedule 18 to FA 1998.

269ZZB Meaning of “group”

- (1) In this Part “group” means two or more companies which together meet the following condition.
- (2) The condition is that one of the companies is—
- (a) the ultimate parent of each of the other companies, and
 - (b) is not the ultimate parent of any other company.
- (3) A company (“A”) is the “ultimate parent” of another company (“B”) if—
- (a) A is the parent of B, and
 - (b) no company is the parent of both A and B.
- (4) A company (“A”) is the “parent” of another company (“B”) if—
- (a) B is a 75% subsidiary of A,
 - (b) A is beneficially entitled to at least 75% of any profits available for distribution to equity holders of B, or
 - (c) A would be beneficially entitled to at least 75% of any assets of B available for distribution to its equity holders on a winding up.
- (5) The following apply for the purposes of subsection (4)—
- (a) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) other than sections 169 to 182, and
 - (b) Chapter 3 of Part 24 (subsidiaries).

This is subject to subsections (6) and (7).

- (6) In applying Chapter 3 of Part 24 for the purposes of subsection (4)—

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

- (a) share capital of a registered society is to be treated as if it were ordinary share capital, and
 - (b) a company (“the shareholder”) that directly owns shares in another company is to be treated as not owning those shares if a profit on their sale would be a trading receipt of the shareholder.
 - (7) In applying Chapter 6 of Part 5 (other than sections 169 to 182) and Chapter 3 of Part 24 for the purposes of subsection (4), they are to be read with all modifications necessary to ensure that—
 - (a) they apply to a company which does not have share capital, and to holders of corresponding ordinary holdings in such a company, in a way which corresponds to the way they apply to companies with ordinary share capital and holders of ordinary shares in such companies,
 - (b) they apply to a company which is an unincorporated association in a way which corresponds to the way they apply to companies which are bodies corporate,
 - (c) they apply in relation to ownership through an entity (other than a company), or any trust or other arrangement, in a way which corresponds to the way they apply to ownership through a company, and
 - (d) for the purposes of achieving paragraphs (a) to (c), profits or assets are attributed to holders of corresponding ordinary holdings in unincorporated associations, entities, trusts or other arrangements in a manner which corresponds to the way profits or assets are attributed to holders of ordinary shares in a company which is a body corporate.
 - (8) In this section “corresponding ordinary holding” in an unincorporated association, entity, trust or other arrangement means a holding or interest which provides the holder with economic rights corresponding to those provided by a holding of ordinary shares in a body corporate”.
- 17 (1) Section 269C (overview of Chapter 3 of Part 7A: restriction on banking company obtaining certain deductions) is amended as follows.
- (2) After subsection (1) insert—
 - “(1A) This Chapter applies in relation to a banking company in addition to Part 7ZA (which contains provision restricting the amount of certain deductions which any kind of company may make in calculating its taxable total profits for an accounting period).”
 - (3) In subsection (2) for “269CD” substitute “ 269CC ”
- 18 (1) Section 269CA (restriction on deductions for pre-1 April 2015 trading losses) is amended as follows.
- (2) In subsection (2), in the second sentence—
 - (a) for “269CD” substitute “ 269ZF ”, and
 - (b) omit “step 5 in”.
 - (3) In subsection (3), for the words from “where” to the end substitute “ in relation to a banking company for an accounting period where, in determining the company's

Status: Point in time view as at 15/03/2018.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2. (See end of Document for details)

relevant trading profits for the period, the amount given by step 1 in section 269ZF(3) is not greater than nil ”.

- 19 (1) Section 269CB (restriction on deductions for pre-1 April 2015 non-trading deficits from loan relationships) is amended as follows.
- (2) In subsection (2), in the second sentence—
- (a) for “269CD” substitute “ 269ZF ”, and
 - (b) for “step 6 in subsection (1)” substitute “ subsection (2) ”.
- (3) In subsection (3), for the words from “where” to the end substitute “ in relation to a banking company for an accounting period where, in determining the company's relevant non-trading profits for the period, the amount given by step 1 in section 269ZF(3) is not greater than nil ”
- 20 (1) Section 269CC (restriction on deductions for pre-1 April 2015 management expenses etc) is amended as follows.
- (2) In subsection (3) for the words from “does not apply” to the end substitute “ is subject to subsection (8) ”.
- (3) In subsection (7)—
- (a) in the second sentence of step 1, for “269CD” substitute “ 269ZD(5) ”,
 - (b) in step 2 for the words from “which are” to the end substitute “under—
 - (a) section 45 (carry forward of pre-1 April 2017 trade loss against subsequent trade profits),
 - (b) section 45B (carry forward of post-1 April 2017 trade loss against subsequent trade profits), or
 - (c) section 457 of CTA 2009 (carry forward of pre-1 April 2017 non-trading deficits from loan relationships).”
- (4) After subsection (7) insert—
- “(8) Subsection (2) does not apply in relation to a banking company for an accounting period where, in determining the company's relevant profits for the period, the amount given by step 1 in section 269ZF(3) is not greater than nil.”
- 21 Section 269CD (relevant profits) is omitted.
- 22 (1) Section 269CN (definitions for the purposes of Part 7A) is amended as follows.
- (2) In the definition of “relevant non-trading profits” for the words from “means” to the end substitute “ has the meaning given by section 269ZF(2) ”.
- (3) In the definition of “relevant profits” for the words from “means” to the end substitute “ has the meaning given by section 269ZD(5) ”.
- (4) In the definition of “relevant trading profits” for the words from “means” to the end substitute “ has the meaning given by section 269ZF(1) ”.

Status:

Point in time view as at 15/03/2018.

Changes to legislation:

There are currently no known outstanding effects for the Finance (No. 2) Act 2017, PART 2.