
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2021.
Cross Heading: Relief for trade losses made in tax year 2020-21. (See end of Document for details)

SCHEDULES

SCHEDULE 2

TEMPORARY EXTENSION OF PERIODS TO WHICH TRADE LOSSES MAY BE CARRIED BACK

PART 1

INCOME TAX

Relief for trade losses made in tax year 2020-21

- 1 (1) A person who has made a loss in a trade in the tax year 2020-21 may make a claim for relief under this paragraph if—
- (a) some or all of the loss (“the section 64 amount”) is an amount in respect of which the person is entitled to make a claim under section 64 of ITA 2007 (trade loss relief against general income) or would be so entitled were there sufficient income from which to deduct it, and
 - (b) condition A or B is met.
- (2) Condition A is that the person makes a claim under section 64 of ITA 2007 for relief in respect of the section 64 amount for either or both of the tax years 2019-20 and 2020-21.
- (3) Condition B is that the person's total income for the tax years 2019-20 and 2020-21—
- (a) is nil, or
 - (b) does not include any income from which a deduction could be made in pursuance of a claim under section 64 of ITA 2007 in respect of the section 64 amount.
- (4) The amount of the loss that may be relieved under this paragraph (“the deductible amount”) is—
- (a) if condition A is met, so much of the section 64 amount as cannot be relieved pursuant to the claim under section 64 of ITA 2007;
 - (b) if condition B is met, the whole of the section 64 amount.
- But see sub-paragraph (9) (limit on total deductions under this paragraph).
- (5) A claim for relief under this paragraph is for the deductible amount to be deducted (in accordance with whichever is applicable of sub-paragraphs (7) and (8)) in calculating the person's net income for one or more of the tax years 2017-18, 2018-19 and 2019-20 at Step 2 of the calculation in section 23 of ITA 2007 (which applies as if this paragraph were a provision listed in section 24 of that Act).
- (6) A deduction is to be made only from the profits of the trade (and accordingly subsection (2) of section 25 of ITA 2007 has effect as if this sub-paragraph were included in subsection (3) of that section).

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- (7) This sub-paragraph explains how the deductions are to be made in a case where the person makes a claim under section 64 of ITA 2007 for relief in respect of the section 64 amount for the tax year 2019-20.
- Step 1* Deduct the deductible amount from the profits of the trade for the tax year 2018-19.
- Step 2* Deduct from the profits of the trade for the tax year 2017-18 so much of the deductible amount as has not been deducted under Step 1.
- (8) This sub-paragraph explains how the deductions are to be made in any other case.
- Step 1* Deduct the deductible amount from the profits of the trade for the tax year 2019-20.
- Step 2* Deduct from the profits of the trade for the tax year 2018-19 so much of the deductible amount as has not been deducted under Step 1.
- Step 3* Deduct from the profits of the trade for the tax year 2017-18 so much of the deductible amount as has not been deducted under Step 1 or 2.
- (9) The total amount that may be deducted in accordance with sub-paragraph (7), or in accordance with Steps 2 and 3 in sub-paragraph (8), is limited to £2,000,000.
- (10) A claim for relief under this paragraph must be made on or before the first anniversary of the normal self-assessment filing date for the tax year 2020-21.

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