

Status: Point in time view as at 13/08/2009.

Changes to legislation: Finance Act 2007, Paragraph 2 is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 4

RESTRICTIONS ON TRADE LOSS RELIEF FOR PARTNERS

Disregard of contributions made for purpose of accessing sideways relief and capital gains relief

- 2 (1) In ITA 2007, before section 114 insert—

“Exclusion of amounts in calculating contribution to the firm or LLP

Exclusion of amounts contributed to access relief

113A(1) An amount which an individual contributes to a firm as capital is to be excluded in calculating the individual's contribution to the firm for the purposes of section 104 or 110 if the contribution was made for a prohibited purpose (but see subsection (4)).

(2) If—

- (a) an individual carries on a trade as a member of an LLP at a time in a tax year,
- (b) the individual does not devote a significant amount of time to the trade in the relevant period for that year, and
- (c) the individual contributes an amount to the LLP as capital at any time in that year,

that amount is to be excluded in calculating the individual's contribution to the LLP for the purposes of section 107 if the contribution was made for a prohibited purpose (but see subsection (4)).

(3) For the purposes of this section a contribution is made for a prohibited purpose if the main purpose, or one of the main purposes, of making the contribution is the obtaining of a reduction in tax liability by means of sideways relief or capital gains relief.

(4) This section has no effect in relation to the application of any restriction under section 104, 107 or 110 to any loss that derives wholly from qualifying film expenditure.”

(2) The amendment made by sub-paragraph (1) has effect in relation to any amount contributed to a firm or LLP as capital on or after 2nd March 2007 (but see sub-paragraph (4)).

(3) For this purpose—

- (a) an amount of money is not to be taken as contributed as capital to a firm or LLP until the money is paid to the firm or LLP, and

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- (b) a right or other asset is not to be taken as contributed as capital to a firm or LLP until it is transferred to the firm or LLP.
- (4) The amendment made by sub-paragraph (1) has no effect in relation to any amount contributed by an individual on or after 2nd March 2007 if—
 - (a) the amount is contributed pursuant to an obligation in a contract made before that date, and
 - (b) the obligation may not be varied or extinguished by the exercise of any right conferred on the individual (whether or not under the contract).

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