# Corporation Tax Act 2009

## 2009 CHAPTER 4

### PART 3

TRADING INCOME

### CHAPTER 12

DEDUCTIONS FROM PROFITS: UNREMITTABLE AMOUNTS

#### 172 Application of Chapter

(1) This Chapter applies if—

- (a) an amount received by, or owed to, a company carrying on a trade ("the trader") is brought into account as a receipt in calculating the profits of the trade,
- (b) the amount is paid or owed in a territory outside the United Kingdom, and
- (c) some or all of the amount is unremittable.

(2) An amount received is unremittable if it cannot be transferred to the United Kingdom merely because of foreign exchange restrictions.

(3) An amount owed is unremittable if it cannot be paid in the United Kingdom and—

- (a) it temporarily cannot be paid in the territory in which it is owed merely because of foreign exchange restrictions, or
- (b) it can be paid in that territory but, if it were paid there, the amount paid would not be transferable to the United Kingdom merely because of foreign exchange restrictions.

(4) "Foreign exchange restrictions" are restrictions imposed by any of the following—

- (a) the laws of the territory where the amount is paid or owed,
- (b) executive action of its government, and
- (c) the impossibility of obtaining there currency that could be transferred to the United Kingdom.

(5) Section 464(1) (matters to be brought into account in the case of loan relationships) does not prevent any amount from being brought into account in accordance with section 173 or 175.

### 173 Relief for unremittable amounts

(1) If—
(a) the trader has profits from the trade in a period of account, and
(b) an unremittable amount has been brought into account as a receipt for that period,

a deduction of the amount is allowed from those profits (but see subsection (5)).

(2) If the trader has profits from the trade in a period of account and the total of—
(a) any unremittable amounts brought into account as receipts for that period, and
(b) any amount carried forward under this subsection or subsection (3) from the previous period of account,

exceeds the amount of those profits, the excess may be carried forward to the next period of account.

(3) If the trader does not have profits from the trade in a period of account and an unremittable amount has been brought into account as a receipt for that period, the total of—
(a) any unremittable amounts brought into account as receipts for that period, and
(b) any amount carried forward under this subsection or subsection (2) from the previous period of account,

may be carried forward to the next period of account.

(4) If an amount is carried forward under this section to a period of account in which the trader has profits from the trade, a deduction of the amount is allowed from those profits (but see subsection (5)).

(5) The total amount deducted under this section from the profits from a trade in a period of account must not exceed the amount of the profits.

### 174 Restrictions on relief

(1) No deduction is allowed under section 173 in relation to an amount so far as—
(a) it is used to finance expenditure or investment outside the United Kingdom, or
(b) it is applied outside the United Kingdom in another way.

(2) No deduction is allowed under section 173 in relation to an amount owed so far as a payment under a contract of insurance has been received in relation to it.

(3) No deduction is allowed under section 173 in relation to an amount brought into account in calculating profits if relief under section 1275 (unremittable income) may be claimed in relation to that amount.

### 175 Withdrawal of relief

(1) This section applies if—

(a) some or all of an unremittable amount has been deducted from profits under section 173, and
(b) any of the following events occurs.

(2) The events are that—
(a) the amount or part of it ceases to be unremittable,
(b) an allowable provision for impairment loss is made in respect of the amount or part of it,
(c) the amount or part of it is used to finance expenditure or investment outside the United Kingdom,
(d) the amount or part of it is applied outside the United Kingdom in another way,
(e) the amount or part of it is exchanged for, or discharged by, an amount that is not unremittable, and
(f) if the amount is an amount owed, a payment under a contract of insurance is received in relation to the amount or part of it.

(3) The amount or the part of it in question is brought into account as a receipt in calculating the profits of the trade of the period of account in which the event occurs, but only so far as—
(a) it has been deducted from profits under section 173, and
(b) it has not already been brought into account as a receipt in calculating the profits of the trade as a result of this section.

(4) If the event is the receipt of a payment under a contract of insurance, the amount brought into account as a receipt must not exceed the amount of the payment.

(5) In subsection (2)(b) "allowable provision for impairment loss" means either—
(a) a debit in respect of the impairment of a financial asset (see section 476(1)) which is brought into account under Part 5 (loan relationships), or
(b) a provision in respect of which a deduction is allowable under section 55 (bad debts).