



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 14

#### CHANGE IN COMPANY OWNERSHIP

#### CHAPTER 1

#### INTRODUCTION

#### 672 Overview of Part

- (1) Chapter 2 restricts relief for trading losses in some cases where there is a change in the ownership of a company.
- [<sup>F1</sup>(1A) Chapter 2A restricts relief in some further cases involving a change in the company's activities.
- (1B) Chapter 2B restricts relief for trading losses in some cases involving the transfer of an asset.
- (1C) Chapters 2C and 2D restrict group relief for carried-forward losses in some cases.
- (1D) Chapter 2E restricts relief for trading losses in some cases involving the transfer of a trade.]
- (2) Chapters 3 and 4 restrict relief in some cases where there is a change in the ownership of a company with investment business.
- (3) Chapter 5 restricts relief for property losses in some cases where there is a change in the ownership of a company without investment business.
- [<sup>F2</sup>(3A) Chapter 5A restricts relief for certain non-trading deficits and losses where there is a change of ownership of a shell company.]
- (4) Chapter 6 enables unpaid corporation tax to be recovered from a linked person in some cases where there is a change in the ownership of a company.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (5) Chapter 8 contains supplementary provision.
- (6) See also Chapter 7 of Part 22 (recovery of unpaid corporation tax due from non-UK resident company).
- (7) For the meaning of—
- (a) “change in the ownership of a company”, see Chapter 7,
  - (b) “company with investment business”, see section 729, <sup>F3</sup>...
  - [<sup>F4</sup>(ba) shell company”, see section 705A, and]
  - (c) “linked” person, see section 706.

#### Textual Amendments

- F1** S. 672(1A)-(1D) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 71**
- F2** S. 672(3A) inserted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 13 para. 1(2)(a)**
- F3** Word in s. 672(7)(b) omitted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 13 para. 1(2)(b)**
- F4** S. 672(7)(ba) inserted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 13 para. 1(2)(b)**

## CHAPTER 2

### DISALLOWANCE OF TRADING LOSSES

#### 673 Introduction to Chapter

- (1) This Chapter applies if—
- (a) there is a change in the ownership of a company (“the company”), and
  - (b) condition A or B is met.
- (2) Condition A is that within any period [<sup>F5</sup>beginning no more than 3 years before the change in ownership occurs which is a period of 5 years in which that change] occurs there is a major change in the nature or conduct of a trade carried on by the company.
- (3) Condition B is that the change in ownership occurs at any time after the scale of the activities in a trade carried on by the company has become small or negligible and before any significant revival of the trade.
- (4) In this section “major change in the nature or conduct of a trade” includes—
- (a) a major change in the type of property dealt in, or services or facilities provided in, the trade, or
  - (b) a major change in customers, outlets or markets of the trade.
- This Chapter applies even if the change is the result of a gradual process which began before the period of [<sup>F6</sup>5] years mentioned in subsection (2).
- (5) In this Chapter—
- “the change in ownership” means the change in ownership mentioned in subsection (1),

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

“the company” has the same meaning as in this section, and  
“trade” includes an office.

#### Textual Amendments

- F5** Words in s. 673(2) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 72\(2\)](#) (with [Sch. 4 para. 72\(4\)](#))
- F6** Word in s. 673(4) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 72\(3\)](#) (with [Sch. 4 para. 72\(4\)](#))

### 674 Disallowance of trading losses

- (1) In calculating the company's taxable total profits of an accounting period beginning before the change in ownership, no relief may be given under section 37 or 42 (relief for trade losses) for a loss made by the company in an accounting period ending after the change in ownership.
- (2) No relief may be given under section 45<sup>[F7]</sup>, 45B, 303B or 303D] for a loss made by the company in an accounting period beginning before the change in ownership by carrying forward the loss to reduce the profits of a trade of an accounting period ending after the change in ownership.
- <sup>[F8]</sup>(2A) No relief may be given under section 45A or 303C for a loss made by the company in an accounting period beginning before the change in ownership by carrying forward the loss and deducting it from a company's total profits of an accounting period ending after the change in ownership.]
- (3) For the purposes of this section and section 675—
  - (a) the accounting period in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (4) The apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.
- (6) In subsection (2), “profits of a trade” includes interest or dividends treated as profits of a trade under section 46.

#### Textual Amendments

- F7** Words in s. 674(2) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 73\(2\)](#)
- F8** S. 674(2A) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 73\(3\)](#)

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

### **[<sup>F9</sup>674A Section 674: exception for certain losses of ring fence trade**

- (1) Section 674 does not prevent relief being given for a loss if—
  - (a) the loss is made in a ring fence trade,
  - (b) the loss is not a non-decommissioning loss,
  - (c) it is condition A in section 673 that is met, and
  - (d) the major change by reference to which that condition is met did not occur within a period of 3 years in which the change in ownership occurred.
- (2) In this section—
 

“non-decommissioning loss” is to be interpreted in accordance with section 303A;

“ring fence trade” has the same meaning as in Part 8 (see section 277).]

#### **Textual Amendments**

- F9** S. 674A inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 74](#)

### **675 Disallowance of trading losses: calculation of balancing charges**

- (1) The following provisions apply if relief in respect of the company's losses is restricted because of section 674(2).
- (2) In applying the provisions of CAA 2001 about balancing charges to the company by reference to any event after the change in ownership, there is to be disregarded any allowance falling to be made in taxing the company's trade for any accounting period beginning before the change in ownership.
 

This subsection applies despite section 577(3) of CAA 2001.
- (3) But subsection (2) does not apply if the allowance has been given effect to by means of relief against any profits of that accounting period or any subsequent accounting period beginning before the change in ownership.
- (4) For the purposes of subsection (3), it is to be assumed that any loss attributable to any such allowance as is mentioned in subsection (2) is relieved before any loss which is not attributable to such an allowance.

### **[<sup>F10</sup>676 Company reconstructions**

- (1) Subsection (2) applies if, before the change in ownership—
  - (a) a trade carried on by another company (“the predecessor company”) is transferred to the company, and
  - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies (transfers of trade without a change of ownership).
- (2) In determining any relief available to the company by virtue of [<sup>F11</sup>Chapter 1 of Part 22], this Chapter applies as if—
  - (a) references to a trade carried on by the company included the trade as carried on by the predecessor company or by any predecessor of that company, and

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (b) any loss sustained by the predecessor company or any predecessor of that company had been sustained by the company.
- (3) Subsection (4) applies if, after the change in ownership—
  - (a) a trade carried on by the company is transferred to another company (“the successor company”), and
  - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies.
- (4) In determining—
  - (a) any relief available to the company under section 45<sup>F12</sup>, 45A, 45B, 303B, 303C or 303D] (carry forward of trading losses), or
  - (b) any relief available to the successor company or any successor of that company by virtue of section <sup>F13</sup>Chapter 1 of Part 22],  
this Chapter applies as if references to a trade carried on by the company included the trade as carried on by the successor company or by any successor of that company.
- (5) For the purposes of this section a company (“company A”) is a predecessor of another company (“company B”), and company B is a successor of company A, if the first or second condition is met.
- (6) The first condition is that Chapter 1 of Part 22 applies in relation to company A and company B as respectively the predecessor and the successor within the meaning of that Chapter.
- (7) The second condition is that—
  - (a) Chapter 1 of Part 22 applies in relation to company A and a third company (“company C”) as respectively the predecessor and the successor within the meaning of that Chapter, and
  - (b) company C is (whether by virtue of the first condition or this condition) a predecessor of company B.]

#### Textual Amendments

**F10** S. 676 substituted (with effect in accordance with s. 32(2) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 32\(1\)](#)

**F11** Words in s. 676(2) substituted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\), Sch. 10 para. 28\(a\)](#)

**F12** Words in s. 676(4)(a) inserted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\), Sch. 10 para. 28\(b\)](#)

**F13** Words in s. 676(4)(b) substituted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\), Sch. 10 para. 28\(c\)](#)

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

## [<sup>F14</sup>CHAPTER 2A

### POST-1 APRIL 2017 LOSSES: FURTHER CASES INVOLVING A CHANGE IN THE COMPANY'S ACTIVITIES

#### Textual Amendments

**F14** Pt. 14 Ch. 2A inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 75](#)

#### 676AA Introduction to Chapter

- (1) This Chapter applies if conditions 1 and 2 are met.
- (2) Condition 1 is that on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).
- (3) Condition 2 is that a major change in the business of the transferred company or a co-transferred company occurs within the required period but not before 1 April 2017.
- (4) The required period is—
  - (a) for the purposes of section 676AF, any period beginning no more than 3 years before the change in ownership occurs which is a period of 5 years in which that change occurs,
  - (b) for the purposes of sections 676AG to 676AK, the period of 8 years beginning 3 years before the change in ownership.
- (5) In this Chapter—
  - “the change in ownership” means the change in ownership mentioned in subsection (2);
  - “the transferred company” has the meaning given by subsection (2);
  - “trade” includes an office.

#### 676AB Priority of provisions of Chapters 2 and 3 over this Chapter

- (1) If and so far as —
  - (a) a relevant provision of this Chapter, and
  - (b) a relevant provision of Chapter 2 or 3,
 would each (if the other provision were ignored) apply in relation to the same loss or other amount, the relevant provision of this Chapter does not apply in relation to that amount.
- (2) In this section “relevant provision”—
  - (a) in relation to this Chapter means any of the provisions of sections 676AF to 676AK;
  - (b) in relation to Chapters 2 and 3 means any of the provisions of sections 674 and 679 to 683.

#### 676AC “Major change in the business” of a company

- (1) In this Chapter references to a “major change in the business” of a company include—

---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (a) a major change in the nature or conduct of any trade or business carried on by the company,
  - (b) a major change in the scale of any trade or business carried on by the company, and
  - (c) beginning or ceasing to carry on a particular trade or business.
- (2) In subsection (1) the reference to a major change in the “nature or conduct” of a trade or business includes—
- (a) a major change in the type of property dealt in, or services or facilities provided in, the trade or business concerned,
  - (b) a major change in customers, outlets or markets of the trade or business concerned,
  - (c) a major change in the nature of the investments held by the company for the purposes of an investment business.
- (3) The definitions in subsections (1) and (2) apply even if the change is the result of a gradual process which began before the period of 5 years mentioned in section 676AA(4)(a) or (as the case may be) the period of 8 years mentioned in section 676AA(4)(b).
- (4) Where the condition in subsection (5) is met in the case of any two companies, the transfer of a trade or business, or any property, from one of them to the other is to be disregarded in determining for the purposes of section 676AA(3) whether or not there is a major change in the business of either of those companies.
- (5) The condition is that the companies are related to one another both—
- (a) immediately before the change in ownership, and
  - (b) at the time of the transfer mentioned in subsection (4).

#### **676AD Notional split of accounting period in which change in ownership occurs**

- (1) This section applies for the purposes of this Chapter.
- (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) Section 685 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 3.
- (4) The amounts for the actual accounting period in column 1 of the table in section 685(2) are apportioned to the two notional accounting periods in accordance with section 685.
- (5) In this Chapter, and in sections 685 and 686 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

#### **676AE “Affected profits”**

- (1) This section has effect for the purposes of this Chapter.
- (2) Profits of an accounting period ending after the change in ownership are “affected profits” if and so far as—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (a) they arise before the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs, and
  - (b) they can fairly and reasonably be attributed to activities, or other sources of income, as a result of which, or partly as a result of which, the major change referred to in section 676AA(3) has occurred.
- (3) If an accounting period of the company begins before, and ends after, the anniversary mentioned in subsection (2), then for the purposes of that subsection—
- (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (4) Any apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

#### **676AF Restriction on use of carried-forward post-1 April 2017 trade losses**

- [ A loss made by the transferred company in an accounting period beginning before
- <sup>F15</sup>(1) the change in ownership may not be deducted from affected profits of an accounting period ending after the change in ownership under any of the following provisions—
- (a) section 45A(5) (carry-forward of post-1 April 2017 trade losses),
  - (b) section 45F(3) (carried-forward losses: terminal relief),
  - (c) section 303C(3) (excess carried-forward non-decommissioning losses of ring fence trade), and
  - (d) section 124B(3) of FA 2012 (excess carried-forward BLAGAB trade losses).]

- [ A loss made by another company (“the predecessor company”) in an accounting period
- <sup>F16</sup>(2) beginning before the change in ownership may not be deducted from affected profits of an accounting period ending after the change in ownership under any of the provisions mentioned in paragraphs (a) to (c) of subsection (1) (as applied by virtue of Chapter 1 of Part 22 (transfers of trades)).]

#### **Textual Amendments**

- F15** S. 676AF renumbered as s. 676AF(1) (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 10 para. 29\(a\)](#)
- F16** S. 676AF(2) inserted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 10 para. 29\(b\)](#)

#### **676AG Restriction on debits to be brought into account**

- (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 transferred company's loan relationships.
- (2) The debits to be brought into account for the purposes of Part 5 of CTA 2009 for—



---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (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.

#### **676AH Restriction on the carry forward of post-1 April 2017 non-trading deficit from loan relationships**

- (1) This section has effect for the purpose of restricting the carry forward under Chapter 16A of Part 5 of CTA 2009 (non-trading deficits: post 1 April 2017 deficits) of a pre-acquisition non-trading deficit from the transferred company's loan relationships.
- (2) For the purposes of this section an amount is a “pre-acquisition” non-trading deficit from a company's loan relationships if it is a non-trading deficit from the company's loan relationships for an accounting period beginning before the change in ownership.
- (3) Subsection (4) applies if, in the case of a pre-acquisition non-trading deficit from the transferred company's loan relationships, the non-trading deficit in column 1 of row 4 of the table in section 685(2) is apportioned in accordance with section 685(2) to the first notional accounting period.
- (4) None of that deficit may, by virtue of section 463G (carry forward of unrelieved deficit), be set off against affected profits of—
  - (a) the accounting period beginning immediately after the change in ownership, or
  - (b) any subsequent accounting period.

#### **676AI Restriction on relief for post-1 April 2017 non-trading loss on intangible fixed assets**

- (1) 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 relevant non-trading loss on intangible fixed assets.
- (2) An amount is a “relevant non-trading loss on intangible fixed assets” if and so far as—
  - (a) it is by virtue of section 751 of CTA 2009 a non-trading loss on intangible fixed assets for a relevant pre-acquisition accounting period, or
  - (b) it is made up of an amount falling within paragraph (a) which has been carried forward under section 753(3) of CTA 2009.
- (3) “Relevant pre-acquisition accounting period” means an accounting period beginning—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (a) before the change in ownership, and
  - (b) on or after 1 April 2017.
- (4) In the case of a relevant non-trading loss on intangible fixed assets, relief under section 753 of CTA 2009 against the total profits of the actual accounting period is available only in relation to each of the notional accounting periods considered separately.
- (5) A relevant non-trading loss on intangible fixed assets may not be deducted as a result of section 753(3) of CTA 2009 (losses carried forward) from affected profits of an accounting period ending after the change in ownership.

#### **676AJ Restriction on deduction of post-1 April 2017 expenses of management**

- (1) This section has effect for the purpose of restricting deductions for post-1 April 2017 relevant expenses of management of the transferred company.
- (2) Any amounts which—
- (a) are, or are treated as, expenses of management referable to the actual accounting period, and
  - (b) are apportioned to either of the two notional accounting periods in accordance with section 685,
- are treated for the purposes of Chapter 2 of Part 16 of CTA 2009 (companies with investment business) as expenses of management referable to that notional accounting period.
- (3) Any allowances which are apportioned to either of the notional accounting periods in accordance with section 685 are treated for the purposes of section 253 of CAA 2001 and section 1233 of CTA 2009 (companies with investment business: excess capital allowances) as falling to be made in that notional accounting period.
- (4) In calculating the taxable total profits of an accounting period of the transferred company ending after the change in ownership—
- (a) relevant expenses of management, and
  - (b) relevant allowances,
- may not be deducted from affected profits of the accounting period.
- (5) In this section “relevant expenses of management” means expenses of management which are first deductible under section 1219 of CTA 2009 for an accounting period beginning—
- (a) on or after 1 April 2017, and
  - (b) before the change in ownership.
- (6) In this section “relevant allowances” means allowances falling to be made for an accounting period beginning—
- (a) on or after 1 April 2017, and
  - (b) before the change in ownership.

#### **676AK Restriction on use of post-1 April 2017 UK property business losses**

- (1) This section has effect for the purpose of restricting relief under sections 62 and 63 for a relevant UK property business loss made by the transferred company.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (2) In this section “relevant UK property business loss” means a loss made in a UK property business in an accounting period beginning—
  - (a) on or after 1 April 2017, and
  - (b) before the change in ownership.
- (3) In relation to a relevant UK property business loss, relief under section 62(3) is available only in relation to each of the notional accounting periods considered separately.
- (4) A relevant UK property business loss may not be deducted as a result of section 62(5) or 63(3) from affected profits of an accounting period ending after the change in ownership.

### **676AL “Co-transferred company” and “related company”**

- (1) In this Chapter “co-transferred company” means any company which is related to the transferred company both immediately before and immediately after the change in ownership.
- (2) For the purposes of this Chapter any two companies (“T”) and (“C”) are “related” to one another at any time when—
  - (a) the group condition is met in relation to T and C, or
  - (b) any of consortium conditions 1 to 4 is met in relation to T and C, (whether on the assumption that T is the claimant company and C is the surrendering company or vice versa).
- (3) In this Chapter—
 

“consortium condition 1” is to be interpreted in accordance with section 188CF,  
 “consortium condition 2” is to be interpreted in accordance with section 188CG,  
 “consortium condition 3” is to be interpreted in accordance with section 188CH,  
 “consortium condition 4” is to be interpreted in accordance with section 188CI,  
 “the group condition” is to be interpreted in accordance with section 188CE.]

## **[<sup>F17</sup>CHAPTER 2B**

### **ASSET TRANSFERRED WITHIN GROUP: RESTRICTION OF RELIEF FOR POST-1 APRIL TRADE LOSSES**

#### **Textual Amendments**

- F17** Pt. 14 Ch. 2B inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 76](#)

### **676BA Introduction to Chapter**

- (1) This section applies if there is a change in the ownership of a company (“the company”) on or after 1 April 2017 and—
  - (a) conditions 1 and 2 are met, or
  - (b) condition 3 is met.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (2) Condition 1 is that after the change in ownership the company acquires an asset from another company in circumstances such that—
- (a) section 171 of TCGA 1992 (no gain/no loss transfer within group), or
  - (b) section 775 of CTA 2009 (tax-neutral transfer within group),
- applies to the acquisition.
- (3) Condition 2 is that—
- (a) in a case within subsection (2)(a), a chargeable gain accrues to the company on a disposal of the asset within the period of 5 years beginning with the change in ownership, or
  - (b) in a case within subsection (2)(b), there is a non-trading chargeable realisation gain on the realisation of the asset within that period.
- (4) Condition 3 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (notional transfers within a group).
- (Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)
- (5) For the purposes of subsection (3), an asset (P) acquired by the company as mentioned in subsection (2) is treated as the same as an asset (Q) owned at a later time by the company if the value of Q is derived in whole or in part from P.
- (6) In particular, P is treated as the same as Q for those purposes if—
- (a) Q is a freehold,
  - (b) P was a leasehold, and
  - (c) the lessee has acquired the reversion.
- (7) In this Chapter—
- “the change in ownership” means the change in ownership mentioned in subsection (1),
- “the company” has the same meaning as in this section,
- “non-trading chargeable realisation gain” means a chargeable realisation gain (within the meaning of Part 8 of CTA 2009 (intangible fixed assets)) which is a non-trading credit for the purposes of that Part (see section 746 of that Act),
- “realisation” has the meaning given by section 734 of CTA 2009, and
- “the relevant gain” means the gain (or amount of a gain) within subsection (3)(a) or (b) or (4).

### **676BB Notional split of accounting period in which change in ownership occurs**

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

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (3) Section 702 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 4.
- (4) The amounts for the actual accounting period in column 1 of the table in section 702(2) are apportioned to the two notional accounting periods in accordance with section 702.
- (5) In this Chapter, and in sections 702 and 703 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

### 676BC Disallowance of relief for trade losses

- (1) This section has effect for the purposes of restricting relief under sections 45A, 45F and 303C of this Act and section 124B of FA 2012 for a loss made <sup>F18</sup>... in a trade before the change in ownership.
- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period in which the relevant gain accrues or arises.
- (3) Relief under section 45A or 303C of this Act or section 124B of FA 2012 is available only in relation to each of the notional accounting periods considered separately.
- (4) A loss made [<sup>F19</sup>by the company] in an accounting period beginning before the change in ownership—
  - (a) may not be deducted as a result of section 45A or 303C of this Act or section 124B of FA 2012 from so much of the total profits of an accounting period ending after the change in ownership as represents the relevant gain;
  - (b) may not be deducted by virtue of paragraph (a) of the definition of “relevant profits” in section 45F(7) from so much of the total profits of an accounting period ending after the change in ownership as represents the relevant gain.
- [<sup>F20</sup>(5) A loss made by another company (“the predecessor company”) in an accounting period beginning before the change in ownership may not be deducted as a result of section 45A, 45F or 303C (as applied by Chapter 1 of Part 22 (transfers of trades)) from so much of the total profits of an accounting period of the company ending after the change in ownership as represents the relevant gain.]

#### Textual Amendments

- F18** Words in s. 676BC(1) omitted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by virtue of Finance Act 2019 (c. 1), Sch. 10 para. 30(a)
- F19** Words in s. 676BC(4) inserted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by Finance Act 2019 (c. 1), Sch. 10 para. 30(b)
- F20** S. 676BC(5) inserted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by Finance Act 2019 (c. 1), Sch. 10 para. 30(c)

### 676BD Meaning of “the relevant provisions”

In this Chapter “the relevant provisions” means—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (a) section 8(1) of, and Schedule 7A to, TCGA 1992 (amounts included in respect of chargeable gains in total profits), or
- (b) Chapter 6 of Part 8 of CTA 2009 (intangible fixed assets: how credits and debits are given effect).

### **676BE Meaning of “amount of profits which represents a relevant gain”**

- (1) In this Chapter, the amount of any profits which represents a relevant gain is found by comparing—
  - (a) the amount (“Y”) of the relevant gain, with
  - (b) the amount (“Z”) which is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains for the accounting period concerned.
- (2) If Y does not exceed Z, the amount of the profits which represents the relevant gain equals Y.
- (3) If Y exceeds Z, the amount of those profits equals Z.]

## [<sup>F21</sup>CHAPTER 2C

### DISALLOWANCE OF GROUP RELIEF FOR CARRIED-FORWARD LOSSES: GENERAL PROVISION

#### **Textual Amendments**

**F21** Pt. 14 Ch. 2C inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 77**

### **676CA Introduction to Chapter**

- (1) This Chapter applies if on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).
- (2) In this Chapter—
  - “the change in ownership” means the change in ownership mentioned in subsection (1);
  - “the transferred company” has the meaning given by subsection (1).

### **676CB Restriction on surrender of carried-forward losses**

- (1) Subsection (3) applies if a company (“the claimant company”) would, (apart from this section), be eligible under Part 5A to make a relevant claim for group relief for carried-forward losses.
- (2) For the purposes of this section a claim for group relief for carried-forward losses is a “relevant claim” if it is—
  - (a) for an accounting period ending after the change in ownership, and
  - (b) in respect of an amount surrendered by the transferred company or a co-transferred company which is a relevant pre-acquisition loss.
- (3) The general rule is that the relief is not available.

---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (4) The general rule is subject to the exceptions in sections 676CD and 676CE.
- (5) For the purposes of this section—
  - (a) the accounting period of the company mentioned in subsection (2)(b) in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (6) Any apportionment under subsection (5)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (7) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

#### **676CC Cases where consortium condition 1 or 2 was previously met**

- (1) Subsection (4) applies in relation to a claim for group relief for carried-forward losses by the transferred company if conditions A and B are met.
- (2) Condition A is that the claim is—
  - (a) for an accounting period ending after the change in ownership, and
  - (b) in respect of a relevant pre-acquisition loss.
- (3) Condition B is that consortium condition 1 was met in relation to—
  - (a) the transferred company (as the company owned by a consortium as mentioned in section 188CF(1)(b)), and
  - (b) the surrendering company (as the company mentioned in section 188CF(1)(c)),
 immediately before the change in ownership (“time T”).
- (4) The relief given under section 188CK in respect of the transferred company's total profits of the claim period may not exceed the relief that would be available on the assumption that the claim is based on consortium condition 1 and the ownership proportion for the purposes of that condition is equal to the lowest of the following proportions—
  - (a) the proportion of the ordinary share capital of the transferred company that was beneficially owned by the surrendering company at time T,
  - (b) the proportion of any profits available for distribution to equity holders of the transferred company to which the surrendering company was beneficially entitled at that time,
  - (c) the proportion of any assets of the transferred company available for distribution to such equity holders on a winding up to which the surrendering company would be beneficially entitled (as determined at that time), and
  - (d) the proportion of the voting power in the transferred company that was directly possessed by the surrendering company at that time.
- (5) Subsection (8) applies in relation to a claim for group relief for carried-forward losses by the transferred company if conditions A and B are met.
- (6) Condition A is that the claim is—
  - (a) for an accounting period ending after the change in ownership, and

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (b) in respect of a relevant pre-acquisition loss.
- (7) Condition B is that consortium condition 2 was met in relation to—
- (a) the transferred company (as the company owned by a consortium as mentioned in section 188CG(1)(b)), and
  - (b) the surrendering company (as the company mentioned in section 188CG(1)(c)),
- immediately before the change in ownership (“time T”).
- (8) The relief given under section 188CK in respect of the transferred company's total profits of the claim period may not exceed the relief that would be available on the assumption that the claim is based on consortium condition 2 and the ownership proportion for the purposes of that condition is equal to the lowest of the following proportions—
- (a) the proportion of the ordinary share capital of the transferred company that was beneficially owned by the link company at time T,
  - (b) the proportion of any profits available for distribution to equity holders of the transferred company to which the link company was beneficially entitled at that time,
  - (c) the proportion of any assets of the transferred company available for distribution to such equity holders on a winding up to which the link company would be beneficially entitled (as determined at that time), and
  - (d) the proportion of the voting power in the transferred company that was directly possessed by the link company at that time.
- (9) For the purposes of this section—
- (a) the accounting period of the surrendering company mentioned in subsection (3)(b) or (7)(b) (as the case may be) in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (10) Any apportionment under subsection (9)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (11) In this section—
- “the link company” means the company which is the link company (see section 188CG(1)(d)) for the purposes of the meeting of consortium condition 2 as mentioned in subsection (7),
  - “the claim period” and “the surrendering company” has the same meaning as in Part 5A (see section 188FD(1)).
- (12) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsections (4)(b) and (c) and (8)(b) and (c).

### **676CD Cases where consortium condition 3 or 4 was previously met**

- (1) If the requirement in subsection (3) is met, section 676CB(3) does not prevent a company from making under section 188CC a claim for group relief for carried-forward losses falling within subsection (2).



---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (2) A claim falls within this subsection if it is—
  - (a) for an accounting period (“the claim period”) ending after the change in ownership, and
  - (b) in relation to an amount surrendered by the transferred company which is a relevant pre-acquisition loss and is attributable to an accounting period of that company specified in the claim (“the specified loss-making period”).
- (3) The requirement is that consortium condition 3 or consortium condition 4 is met throughout a period which—
  - (a) begins before or during the specified loss-making period, and
  - (b) ends with or after the time when the change in ownership occurs.
- (4) For the purposes of a claim by virtue of this section, section 188CC(3) has effect as if requirement 3 were omitted.

#### **676CE Exceptions to restrictions**

- (1) Nothing in section 676CB(3) or 676CC affects the giving of group relief for carried-forward losses by the making of a deduction under section 188CK(1) from total profits of the claimant company which arise after the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs.
- (2) Nothing in section 676CB(3) or 676CC affects the availability of relief under Part 5A if immediately before the change in ownership the group condition was met in relation to the transferred company and the claimant company.  
  
But see also section 676CF.
- (3) If an accounting period of the claimant company begins before, and ends after, the anniversary mentioned in subsection (1), then for the purposes of that subsection—
  - (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (4) Any apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.
- (6) In this section “the claimant company” has the same meaning as in Part 5A (see section 188FD(1)).

#### **676CF Cases where Chapter 2, 2A or 3 also applies**

- (1) This section applies if—
  - (a) Chapter 2 applies in relation to the change in ownership by virtue of condition A in section 673 being met,
  - (b) Chapter 2A applies in relation to the change in ownership, or

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (c) Chapter 3 applies in relation to the change in ownership by virtue of condition B in section 677 being met.
- (2) This section also applies if—
- (a) the condition in subsection (1)(a) would be met if in subsection (4A) of section 719 (meaning of “change in the ownership of a company”) the reference to Chapter 2C included a reference to Chapter 2, or
  - (b) the condition in subsection (1)(c) would be met if in subsection (4A) of section 719 the reference to Chapter 2C included a reference to Chapter 3.
- (3) Where the company in relation to which the major change mentioned in section 673(4), 676AA(3) or 677(3) has occurred would (apart from this section) be eligible under Part 5A to claim in respect of a relevant pre-acquisition loss group relief for carried-forward losses for an accounting period ending after the change in ownership, no deduction in respect of that loss may be made from affected profits under section 188CK.
- See section 676CG for the meaning of “affected profits”.
- (4) For the purposes of this section—
- (a) the accounting period in which the change in ownership occurs is treated as two separate accounting periods, the first ending with the change and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.
- (5) Any apportionment under subsection (4)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (6) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

### **676CG “Affected profits”**

- (1) This section has effect for the purposes of section 676CF.
- (2) Profits of an accounting period ending after the change in ownership are “affected profits” if and so far as—
- (a) they arise before the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs, and
  - (b) they can fairly and reasonably be attributed to activities, or other sources of income, as a result of which, or partly as a result of which, the major change mentioned in section 673(4), 676AA(3) or 677(3) (as the case may be) has occurred.
- (3) If an accounting period of the company in relation to which the major change mentioned in section 673(4), 676AA(3) or 677(3) has occurred begins before, and ends after, the anniversary mentioned in subsection (2), then for the purposes of that subsection—
- (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
  - (b) the profits or losses of the accounting period are apportioned to the two periods.

---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (4) Any apportionment under subsection (3)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (5) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

### **676CH “Relevant pre-acquisition loss”**

- (1) In this Chapter “relevant pre-acquisition loss” means—
  - (a) a non-trading deficit from loan relationships for an accounting period beginning before the change in ownership carried forward to the surrender period under section 463G(6) of CTA 2009,
  - (b) a loss on intangible fixed assets so far as it is made up of amounts carried forward to the surrender period under section 753(3) of CTA 2009 from one or more accounting periods beginning before the change in ownership,
  - (c) expenses carried forward to the surrender period under section 1223 of CTA 2009 (carry forward of expenses of management of investment business) which were first deductible in an accounting period beginning before the change in ownership,
  - (d) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 45A(3) (post- 1 April 2017 trade loss),
  - (e) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 62(5)(b) or 63(3)(a) (loss made in UK property business),
  - (f) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 303B(2) or 303D(3) (post-1 April non-decommissioning losses of ring fence trade),
  - (g) a BLAGAB trade loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 124A(2) or 124C(3) of FA 2012.
- (2) In this section “the surrender period” is to be interpreted in accordance with section 188BB(7).

### **676CI Interpretation of Chapter**

- (1) In this Chapter “co-transferred company” means any company which is related to the transferred company both immediately before and immediately after the change in ownership.
- (2) For the purposes of this Chapter any two companies (“T”) and (“C”) are “related” to one another at any time when—
  - (a) the group condition is met in relation to T and C, or
  - (b) any of consortium conditions 1 to 4 is met in relation to T and C,(whether on the assumption that T is the claimant company and C is the surrendering company or vice versa).
- (3) In this Chapter—
  - “consortium condition 1” is to be interpreted in accordance with section 188CF,
  - “consortium condition 2” is to be interpreted in accordance with section 188CG,

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

“consortium condition 3” is to be interpreted in accordance with section 188CH,  
“consortium condition 4” is to be interpreted in accordance with section 188CI,  
“the group condition” is to be interpreted in accordance with section 188CE.]

## [<sup>F22</sup>CHAPTER 2D

### ASSET TRANSFERRED WITHIN GROUP: RESTRICTION OF GROUP RELIEF FOR CARRIED-FORWARD LOSSES

#### Textual Amendments

**F22** Pt. 14 Ch. 2D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 78**

#### 676DA Introduction to Chapter

- (1) This section applies if—
  - (a) there is a change in the ownership of a company (“the company”) on or after 1 April 2017, and
  - (b) the following are met—
    - conditions 1 and 2, or
    - condition 3.
- (2) Condition 1 is that after the change in ownership the company acquires an asset from another company in circumstances such that—
  - (a) section 171 of TCGA 1992 (no gain/no loss transfer within a group), or
  - (b) section 775 of CTA 2009 (tax-neutral transfer within a group),
 applies to the acquisition.
- (3) Condition 2 is that—
  - (a) in a case within subsection (2)(a), a chargeable gain accrues to the company on a disposal of the asset within the period of 5 years beginning with the change in ownership, or
  - (b) in a case within subsection (2)(b), there is a non-trading chargeable realisation gain on the realisation of the asset within that period.
- (4) Condition 3 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (notional transfers within a group).
 

(Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)
- (5) For the purposes of subsection (3), an asset (P) acquired by the company as mentioned in subsection (2) is treated as the same as an asset (Q) owned at a later time by the company if the value of Q is derived in whole or in part from P.
- (6) In particular, P is treated as the same as Q for those purposes if—
  - (a) Q is a freehold,

---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (b) P was a leasehold, and
- (c) the lessee has acquired the reversion.

(7) In this Chapter

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

“the company” has the same meaning as in this section,

“non-trading chargeable realisation gain” means a chargeable realisation gain (within the meaning of Part 8 of CTA 2009 (intangible fixed assets)) which is a non-trading credit for the purposes of that Part (see section 746 of that Act),

“realisation” has the meaning given by section 734 of CTA 2009, and

“the relevant gain” means the gain (or amount of a gain) within subsection (3)(a) or (b) or (4).

#### **676DB Notional split of accounting period in which change in ownership occurs**

- (1) This section applies for the purposes of this Chapter.
- (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) Section 702 (apportionment of amounts) applies for the purposes of this Chapter as it applies for the purposes of Chapter 4.
- (4) The amounts for the actual accounting period in column 1 of the table in section 702(2) are apportioned to the two notional accounting periods in accordance with section 702.
- (5) In this Chapter, and in sections 702 and 703 as they apply by virtue of subsection (3), “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

#### **676DC Disallowance of group relief for carried-forward losses**

- (1) This section has effect for the purposes of restricting relief under Chapter 3 of Part 5A (group relief for carried-forward losses).
- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period in which the relevant gain accrues or arises.
- (3) In calculating the company's taxable total profits of the accounting period in which the relevant gain accrues or arises, a relevant pre-acquisition loss may not be deducted, as a result of section 188CK (group relief for carried-forward losses: deductions from total profits) from so much of the total profits of the accounting period as represents the relevant gain.
- (4) “Relevant pre-acquisition loss” means—
  - (a) a non-trading deficit from loan relationships for an accounting period beginning before the change in ownership carried forward to the surrender period under section 463G(6) of CTA 2009,

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (b) a loss on intangible fixed assets so far as it is made up of amounts carried forward to the surrender period under section 753(3) of CTA 2009 from one or more accounting periods beginning before the change in ownership,
  - (c) expenses carried forward to the surrender period under section 1223 of CTA 2009 (carrying forward expenses of management and other amounts) which were first deductible in an accounting period beginning before the change in ownership,
  - (d) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 45A(3) (post- 1 April 2017 trade loss);
  - (e) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 62(5)(b) or 63(3)(a) (loss made in UK property business),
  - (f) a loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 303B(2) or 303D(3) (post-1 April non-decommissioning losses of ring fence trade),
  - (g) a BLAGAB trade loss made in an accounting period beginning before the change in ownership and carried forward to the surrender period under section 124A(2) or 124C(3) of FA 2012.
- (5) In this section “the surrender period” is to be interpreted in accordance with section 188BB(7).

#### **676DD Meaning of “the relevant provisions”**

In this Chapter “the relevant provisions” means—

- (a) section 8(1) of, and Schedule 7A to, TCGA 1992 (amounts included in respect of chargeable gains in total profits), or
- (b) Chapter 6 of Part 8 of CTA 2009 (intangible fixed assets: how credits and debits are given effect).

#### **676DE Meaning of “amount of profits which represents a relevant gain”**

- (1) In this Chapter, the amount of any profits which represents a relevant gain is found by comparing—
  - (a) the amount (“Y”) of the relevant gain, with
  - (b) the amount (“Z”) which is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains for the accounting period concerned.
- (2) If Y does not exceed Z, the amount of the profits which represents the relevant gain equals Y.
- (3) If Y exceeds Z, the amount of those profits equals Z.]

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

## [<sup>F23</sup>CHAPTER 2E

### POST-1 APRIL 2017 TRADE LOSSES: CASES INVOLVING THE TRANSFER OF A TRADE

#### Textual Amendments

**F23** Pt. 14 Ch. 2E inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 79**

#### 676EA Introduction to Chapter

- (1) This Chapter applies if on or after 1 April 2017 there is a change in the ownership of a company (“the transferred company”).
- (2) In this Chapter—
  - “the change in ownership” means the change in ownership mentioned in subsection (1);
  - “the transferred company” has the meaning given by subsection (1).

#### 676EB Restriction on use of trade losses carried-forward on transfer of trade

- (1) Subsection (2) applies if—
  - (a) the transferred company transfers a trade to another company (“the successor company”) within the period of 8 years beginning 3 years before the change in ownership,
  - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies, and
  - (c) the transferred company and the successor company are not related to one another both immediately before the change in ownership and at the time of the transfer.
- (2) A loss made by the transferred company in the transferred trade in an accounting period beginning before the change in ownership may not be deducted under section 45A or 303C from the relevant profits of an accounting period of the successor company ending after the change in ownership.
- (3) Profits of an accounting period of the successor company ending after the change in ownership are “relevant profits” if and so far as—
  - (a) they arise before the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs, and
  - (b) they cannot fairly and reasonably be attributed to the carrying on by the successor company of the transferred trade.
- (4) If an accounting period of the transferred company begins before, and ends after the change in ownership, then for the purposes of subsection (2)—
  - (a) the accounting period is treated as two separate accounting period, the first ending with the change and the second consisting on the remainder of the period, and
  - (b) a loss made in the trade in the accounting period is apportioned to the two periods.
- (5) If an accounting period of the successor company begins before, and ends after, the anniversary mentioned in subsection (3), then for the purposes of that subsection—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (a) the accounting period is treated as two separate accounting periods, the first ending with that date and the second consisting of the remainder of the period, and
  - (b) the profits of the accounting period are apportioned to the two periods.
- (6) Any apportionment under subsection (4)(b) or (5)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (7) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

### **676EC Restriction on surrender of trade losses carried forward on transfer of trade**

- (1) This section applies if—
- (a) the transferred company or a co-transferred company transfers a trade to another company (“the successor company”) within the period of 8 years beginning 3 years before the change in ownership,
  - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies, and
  - (c) another company (“the claimant company”) would, apart from this section, be eligible under Part 5A to make a relevant claim for group relief for carried-forward losses.
- (2) For the purposes of this section a claim for group relief for carried forward-losses is a relevant claim if it is—
- (a) for an accounting period ending after the change in ownership, and
  - (b) in respect of an amount surrendered by the successor company which is an amount of a loss—
    - (i) made in the trade by the transferred company or the co-transferred company in an accounting period beginning before the change in ownership, and
    - (ii) carried forward to the surrender period of the successor company under section 45A(3), 303B(2) or 303D(3).
- (3) The general rule is that the relief is not available.
- (4) Subsection (3) does not affect the giving of group relief for carried-forward losses by the making of a deduction under section 188CK(1) from the total profits of the claimant company which arise after the 5th anniversary of the end of the accounting period of the transferred company in which the change in ownership occurs.
- (5) Subsection (3) does not affect the availability of relief under Part 5A if immediately before the change in ownership the group condition was met in relation to the claimant company and the transferred company.
- (6) If an accounting period of the transferred company or co-transferred company begins before, and ends after the change in ownership, then for the purposes of subsection (2) (b)—
- (a) the accounting period is treated as two separate accounting period, the first ending with the change and the second consisting on the remainder of the period, and
  - (b) a loss made in the trade in the accounting period is apportioned to the two periods.



---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (7) If an accounting period of the claimant company begins before, and ends after, the anniversary mentioned in subsection (4), then for the purposes of that subsection—
  - (a) the accounting period is treated as two separate accounting period, the first ending with that date and the second consisting of the remainder of the period, and
  - (b) the profits of the accounting period are apportioned to the two periods.
- (8) Any apportionment under subsection (6)(b) or (7)(b) is to be made on a time basis according to the respective lengths of the two deemed accounting periods.
- (9) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

### **676ED Indirect transfers of a trade**

- (1) Subsections (2) and (3) apply if a trade transferred by the transferred company or a co-transferred company is transferred on a subsequent occasion to another company.
- (2) The transferred company or (as the case may be) the co-transferred company is to be treated for the purposes of this Chapter—
  - (a) as having transferred the trade to that other company, and
  - (b) as having done so at the time it was actually transferred to that other company.
- (3) The deemed transfer is to be treated for the purposes of this Chapter as a transfer to which Chapter 1 of Part 22 applies if the actual transfer to the other company was a transfer to which that Chapter applies.
- (4) Subsections (5) and (6) apply if—
  - (a) a trade (“the original trade”) is transferred by the transferred company or a co-transferred company,
  - (b) the activities of the original trade are included in the activities of another trade (“the composite trade”), and
  - (c) the composite trade is transferred to another company.
- (5) The transferred company or (as the case may be) the co-transferred company is to be treated for the purposes of this Chapter—
  - (a) as having transferred the original trade to that other company, and
  - (b) as having done so at the time the composite trade was actually transferred to that other company.
- (6) The deemed transfer is to be treated for the purposes of this Chapter as a transfer to which Chapter 1 of Part 22 applies if the transfer of the composite trade to the other company was a transfer to which that Chapter applies.

### **676EE Interpretation of Chapter**

- (1) Section 940B (meaning of “transfer of trade” and related expressions) applies for the purposes of this Chapter as it applies for the purposes of Chapter 1 of Part 22.
- (2) In this Chapter “co-transferred company” means any company which is related to the transferred company both immediately before and immediately after the change in ownership.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (3) For the purposes of this Chapter any two companies (“T”) and (“C”) are “related” to one another at any time when—
- (a) the group condition is met in relation to T and C, or
  - (b) any of consortium conditions 1 to 4 is met in relation to T and C,
- (whether on the assumption that T is the claimant company and C is the surrendering company or vice versa).
- (4) In this Chapter—
- “consortium condition 1” is to be interpreted in accordance with section 188CF,  
“consortium condition 2” is to be interpreted in accordance with section 188CG,  
“consortium condition 3” is to be interpreted in accordance with section 188CH,  
“consortium condition 4” is to be interpreted in accordance with section 188CI,  
“the group condition” is to be interpreted in accordance with section 188CE.”]

### CHAPTER 3

#### COMPANY WITH INVESTMENT BUSINESS: RESTRICTIONS ON RELIEF: GENERAL PROVISION

##### *Introduction*

#### **677 Introduction to Chapter**

- (1) This Chapter applies if—
- (a) there is a change in the ownership of a company with investment business (“the company”), and
  - (b) condition A, B or C is met.
- (2) Condition A is that after the change in ownership there is a significant increase in the amount of the company's capital (see sections 688 to 691).
- (3) Condition B is that within the period of [<sup>F24</sup>8] years beginning 3 years before the change in ownership there is a major change in the nature or conduct of the business carried on by the company.
- (4) Condition C is that the change in ownership occurs at any time after the scale of the activities in the business carried on by the company has become small or negligible and before any significant revival of the business.
- (5) In subsection (3) “major change in the nature or conduct of a business” includes a major change in the nature of the investments held by the company, even if the change is the result of a gradual process which began before the period of [<sup>F25</sup>8] years mentioned in that subsection.
- (6) In this Chapter—
- “the change in ownership” means the change in ownership mentioned in subsection (1), and
- “the company” has the same meaning as in this section.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

### Textual Amendments

- F24** Word in s. 677(3) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 80(2)** (with Sch. 4 para. 80(4))
- F25** Word in s. 677(5) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 80(3)** (with Sch. 4 para. 80(4))

### *Notional split of accounting period in which change in ownership occurs*

#### **678 Notional split of accounting period in which change in ownership occurs**

- (1) This section applies for the purposes of this Chapter.
- (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 685(2) are apportioned to the two notional accounting periods in accordance with section 685.
- (4) In this Chapter “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

### *Restrictions on relief*

#### **679 Restriction on debits to be brought into account**

- (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.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

### **680 Restriction on the carry forward of non-trading deficit from loan relationships**

- (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 685(2) is apportioned in accordance with section 685(2) 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.

### **681 Restriction on relief for non-trading loss on intangible fixed assets**

- (1) 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 [<sup>F26</sup>loss on intangible fixed assets for] that period.

#### **Textual Amendments**

**F26** Words in s. 681(3)(b) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 81(2)**

### **682 Restriction on the deduction of expenses of management**

- (1) This section has effect for the purpose of restricting deductions for expenses of management.
- (2) Any amounts which—
  - (a) are, or are treated as, expenses of management referable to the actual accounting period, and
  - (b) are apportioned to either of the two notional accounting periods in accordance with section 685,
 are treated for the purposes of Chapter 2 of Part 16 of CTA 2009 (companies with investment business) as expenses of management referable to that notional accounting period.
- (3) Any allowances which are apportioned to either of the notional accounting periods in accordance with section 685 are treated for the purposes of [<sup>F27</sup>sections 253 and

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

270HE] of CAA 2001 and section 1233 of CTA 2009 (companies with investment business: excess capital allowances) as falling to be made in that notional accounting period.

- (4) In calculating the taxable total profits of an accounting period of the company ending after the change in ownership, no deduction may be made under section 1219 of CTA 2009 (expenses of management of a company's investment business) by reference to—
- (a) expenses of management deductible for an accounting period beginning before the change, or
  - (b) allowances falling to be made for such an accounting period.

#### Textual Amendments

**F27** Words in s. 682(3) substituted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **9(2)**

### 683 Disallowance of UK property business losses

- (1) This section has effect for the purpose of restricting relief under sections 62 and 63 for a loss made by the company in a UK property business before the change in ownership.
- (2) Relief under section 62(3) is available only in relation to each of the notional accounting periods considered separately.
- (3) A loss made in an accounting period beginning before the change in ownership may not be—
  - (a) carried forward under section 62(5)(a) or 63(3)(a) to an accounting period ending after the change in ownership, or
  - (b) treated in relation to that accounting period as mentioned in section 62(5)(b) or 63(3)(b).

### 684 Disallowance of overseas property business losses

- (1) This section has effect for the purpose of restricting relief under section 66 for a loss made by the company in an overseas property business before the change in ownership.
- (2) A loss in the business made in an accounting period beginning before the change in ownership may not be used under section 66(3) to reduce the profits of the business of an accounting period ending after the change in ownership.

#### *Apportionment of amounts*

### 685 Apportionment of amounts

- (1) This section applies for the purposes of this Chapter, but subsection (2) is subject to subsection (3).
- (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.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

<b>Row</b>	<b>1. Amount to be apportioned</b>	<b>2. Method of apportionment</b>
1	The amount for the actual accounting period of any adjusted non-trading profits from the company's loan relationships (see section 686(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 686(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.	(1) If condition A in section 686(4) is met, apportion the amount in column 1 by reference to the time of accrual of the amount to which the debit relates. (2) If condition B in section 686(5) is met, apportion the amount in column 1 to the first notional accounting period.
4	The amount of any non-trading deficit carried forward to the actual accounting period under section 457(1) [ <sup>F28</sup> , 463G(6) or 463H(4) of CTA 2009.]	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 [ <sup>F29</sup> loss on intangible fixed assets for] that period.	Apportion the whole of the amount in column 1 to the first notional accounting period.
7	The amount of any expenses of management referable to the actual accounting period within the meaning of Chapter 2 of Part 16 of CTA 2009 (companies with investment business) (but see section 686(6)).	Apportion to each notional accounting period the amounts that would fall to be brought into account in that period as an amount in column 1 if it were a period of account for which accounts were drawn up in accordance with generally accepted accounting practice.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- |    |   |  |
|----|---|--|
| 8  | The amount of any excess carried forward under section 1223 of CTA 2009 (expenses of management carried forward) to the actual accounting period.   | Apportion the whole of the amount in column 1 to the first notional accounting period.                                       |
| 9  | The amount of any allowances falling to be made for the actual accounting period as a result of section 253 of CAA 2001 which would (but for this Chapter) be added to the expenses of management for the period because of section 1233 of CTA 2009 (excess capital allowances). | Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods. |
| 10 | 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 686.

#### Textual Amendments

**F28** Words in s. 685(2) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 82(2)** (with Sch. 4 para. 82(4))

**F29** Words in s. 685(2) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 82(3)** (with Sch. 4 para. 82(4))

### 686 Meaning of certain expressions in section 685

- (1) This section applies for the purposes of the table in section 685(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 —
  - (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—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (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.
- (6) The expenses of management mentioned in column 1 of row 7 of the table do not include any expenses for which a deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) would be disallowed because of subsection (3)(b) of that section.

*Adjustment to balancing charges if relief is restricted*

**687 Adjustment to balancing charges if relief is restricted**

- (1) This section applies if condition A or B is met.
- (2) Condition A is that the debits to be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in the case of the company in respect of its loan relationships are restricted because of section 679.
- (3) Condition B is that deductions from the company's total profits are restricted because of section 680 or 682.
- (4) In applying the provisions of CAA 2001 about balancing charges to the company by reference to any event after the change in ownership, there is to be disregarded any allowance falling to be made in taxing the company's trade for any accounting period beginning before the change in ownership.

This subsection applies despite section 577(3) of CAA 2001.

- (5) But subsection (4) does not apply if the allowance has been given effect to by means of relief against any profits of that accounting period or any subsequent accounting period beginning before the change in ownership.
- (6) For the purposes of subsection (5), it is to be assumed that any loss attributable to any such allowance as is mentioned in subsection (4) is relieved before any loss which is not attributable to such an allowance.

*Meaning of “significant increase in the amount of a company's capital”*

**688 Meaning of “significant increase in the amount of a company's capital”**

- (1) This section and sections 689 to 691 have effect for determining whether, for the purposes of section 677(2), there is a significant increase in the amount of a company's capital after a change in the ownership of the company.
- (2) There is a significant increase in the amount of a company's capital if amount B—



*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (a) exceeds amount A by at least £1 million, [<sup>F30</sup>, and]
  - [<sup>F30</sup>(b) is at least 125% of amount A.]
- (3) For the meaning of—
- (a) “amount A” and “amount B”, see sections 689 and 690 respectively, and
  - (b) “amount of capital”, see section 691.

#### Textual Amendments

**F30** S. 688(2)(b) and word substituted (with effect in accordance with s. 37(6) of the amending Act) by Finance Act 2014 (c. 26), s. 37(2)

### 689 Amount A

- (1) In section 688, amount A is the lower of—
- (a) the amount of the company's capital immediately before the change in ownership, and
  - (b) the highest 60 day minimum amount for the pre-change year.
- (2) The highest 60 day minimum amount for the pre-change year is found as follows.
- Step 1* Find the daily amounts of the company's capital over the pre-change year.
- Step 2* Take the highest of the daily amounts.
- Step 3* Find out whether there was in the pre-change year a period of at least 60 days in which there was no daily amount lower than the amount taken.
- Step 4* If there was, the amount taken is the highest 60 day minimum amount for the pre-change year. If there was not, take the next highest of the daily amounts and repeat step 3; and so on, until the highest 60 day minimum amount for the pre-change year is found.
- (3) In this section “the pre-change year” means the period of one year ending immediately before the change in ownership.

### 690 Amount B

- (1) In section 688, amount B is the highest 60 day minimum amount for the post-change period.
- (2) The highest 60 day minimum amount for the post-change period is found as follows.
- Step 1* Find the daily amounts of the company's capital over the post-change period.
- Step 2* Take the highest of the daily amounts.
- Step 3* Find out whether there was in the post-change period a period of at least 60 days in which there was no daily amount lower than the amount taken.
- Step 4* If there was, the amount taken is the highest 60 day minimum amount for the post-change period. If there was not, take the next highest of the daily amounts and repeat step 3; and so on, until the highest 60 day minimum amount for the post-change period is found.
- (3) In this section “the post-change period” means the period of [<sup>F315</sup>] years beginning with the change in ownership.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

### Textual Amendments

**F31** Word in s. 690(3) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 83(1)** (with Sch. 4 para. 83(2))

## 691 Meaning of “amount of capital”

- (1) This section applies for the purposes of sections 688 to 690.
- (2) The amount of the capital of a company is the sum of—
  - (a) the amount of the paid up share capital of the company,
  - (b) the amount outstanding of any debts incurred by the company which are within section 453(2), and
  - (c) the amount outstanding of any redeemable loan capital issued by the company.
- (3) For the purposes of subsection (2)—
  - (a) the amount of the paid up share capital includes any amount in the share premium account of the company, and
  - (b) the amount outstanding of any debts includes the amount of any interest due on the debts.
- (4) Amounts of capital are to be expressed in sterling.
- (5) In this section “share premium account” has the same meaning as in section 610 of the Companies Act 2006.

## CHAPTER 4

### COMPANY WITH INVESTMENT BUSINESS: RESTRICTIONS ON RELIEF: ASSET TRANSFERRED WITHIN GROUP

#### *Introduction*

## 692 Introduction to Chapter

- (1) This Chapter applies if—
  - (a) there is a change in the ownership of a company with investment business (“the company”), and
  - [<sup>F32</sup>(b) the following are met—  
 condition 1, and  
 conditions 2 and 3 or condition 4.]
- (2) Condition 1 is that none of conditions A to C in section 677 is met.
- (3) Condition 2 is that after the change in ownership the company acquires an asset from another company in circumstances such that—
  - (a) section 171(1) of TCGA 1992 (no gain/no loss on transfer within group), or
  - (b) section 775 of CTA 2009 (tax-neutral transfer within group),  
 applies to the acquisition.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

(4) Condition 3 is that—

- (a) in a case within subsection (3)(a), a chargeable gain accrues to the company on a disposal of the asset within the period of [<sup>F33</sup>5] years beginning with the change in ownership, or
- (b) in a case within subsection (3)(b), there is a non-trading chargeable realisation gain on the realisation of the asset within that period.

[<sup>F34</sup>(4A) Condition 4 is that a chargeable gain on a disposal of an asset within the period of 5 years beginning immediately after the change in ownership (or an amount of such a gain) is treated as accruing to the company by virtue of an election under section 171A of TCGA 1992 (election to reallocate gain or loss to another member of the group).

(Accordingly, references in this Chapter to the accrual of a relevant gain are to be read in the light of section 171B(2) and (3) of TCGA 1992.)]

(5) For the purposes of subsection (4), an asset (P) acquired by the company as mentioned in subsection (3) is treated as the same as an asset (Q) owned at a later time by the company if the value of Q is derived in whole or in part from P.

(6) In particular, P is treated as the same as Q for those purposes if—

- (a) Q is a freehold,
- (b) P was a leasehold, and
- (c) the lessee has acquired the reversion.

(7) In this Chapter—

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

“the company” has the same meaning as in this section,

“non-trading chargeable realisation gain” means a chargeable realisation gain (within the meaning of Part 8 of CTA 2009 (intangible fixed assets)) which is a non-trading credit for the purposes of that Part (see section 746 of that Act),

“realisation” has the meaning given by section 734 of CTA 2009, and

“the relevant gain” means the gain [<sup>F35</sup>(or amount of a gain) within subsection (4)(a) or (b) or (4A)] .

#### Textual Amendments

- F32** S. 692(1)(b) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 84(2)** (with [Sch. 4 para. 84\(6\)](#))
- F33** Word in s. 692(4)(a) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 84(3)** (with [Sch. 4 para. 84\(6\)](#))
- F34** S. 692(4A) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 84(4)** (with [Sch. 4 para. 84\(6\)](#))
- F35** Words in s. 692(7) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 84(5)** (with [Sch. 4 para. 84\(6\)](#))

### 693 Meaning of “amount of profits which represents a relevant gain”

(1) In this Chapter, the amount of any profits which represents a relevant gain is found by comparing—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (a) the amount (“Y”) of the relevant gain, with
  - (b) the amount (“Z”) which is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains for the accounting period concerned.
- (2) If Y does not exceed Z, the amount of the profits which represents the relevant gain equals Y.
- (3) If Y exceeds Z, the amount of those profits equals Z.

#### **694 Meaning of “the relevant provisions”**

In this Chapter “the relevant provisions” means—

- (a) section 8(1) of, and Schedule 7A to, TCGA 1992 (amounts included in respect of chargeable gains in total profits), or
- (b) Chapter 6 of Part 8 of CTA 2009 (intangible fixed assets: how credits and debits are given effect).

*Notional split of accounting period in which change in ownership occurs*

#### **695 Notional split of accounting period in which change in ownership occurs**

- (1) This section applies for the purposes of this Chapter.
- (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 702(2) are apportioned to the two notional accounting periods in accordance with section 702.
- (4) In this Chapter “the actual accounting period” and “notional accounting periods” have the same meaning as in this section.

*Restrictions on relief*

#### **696 Restriction on debits to be brought into account**

- (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) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period of the company in which the relevant gain accrues or arises.
- (3) 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,

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

do not include relevant non-trading debits so far as the amount of those debits exceeds the modified total profits of the accounting period.

- (4) In subsection (3) “the modified total profits of the accounting period” means the total profits of that period—
- (a) less, if that period is the period in which the relevant gain accrues or arises, an amount equal to so much of those profits as represents the relevant gain, and
  - (b) after deducting any amounts which can be relieved against the profits, other than an amount falling to be deducted under section 461 [F36 or 463B(1)(a)] of CTA 2009 (claim to set off deficit against other profits for the deficit period).
- (5) If, as a result of subsection (3), a debit is to any extent not brought into account for an accounting period, that debit may (to that extent) be brought into account for the next accounting period, but this is subject to the application of subsections (3) and (4) to that next accounting period.
- (6) For the meaning of “relevant non-trading debit”, see section 730.

#### Textual Amendments

**F36** Words in s. 696(4)(b) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 85**

### 697 Restriction on the carry forward of non-trading deficit from loan relationships

- (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) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period of the company in which the relevant gain accrues or arises.
- (3) Subsection (4) applies if the non-trading deficit in column 1 of row 5 of the table in section 702(2) is apportioned in accordance with section 702(2) to the first notional accounting period.
- (4) 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.

### 698 Restriction on relief for non-trading loss on intangible fixed assets

- (1) 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) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period of the company (“the relevant period”) in which the relevant gain accrues or arises.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (3) 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.
- (4) Subsection (5) applies if a non-trading loss on intangible fixed assets for an accounting period beginning before the change in ownership is carried forward under section 753(3) of that Act to an accounting period ending after the change in ownership.
- (5) The non-trading loss may not be used to give relief under section 753 of that Act in respect of so much of the total profits of the relevant period as represents the relevant gain.

### 699 Restrictions on the deduction of expenses of management

- (1) This section has effect for the purpose of restricting deductions for expenses of management.
- (2) Any amounts which—
  - (a) are, or are treated as, expenses of management referable to the actual accounting period, and
  - (b) are apportioned to either of the two notional accounting periods in accordance with section 702,
 are treated for the purposes of Chapter 2 of Part 16 of CTA 2009 (companies with investment business) as expenses of management referable to that notional accounting period.
- (3) Any allowances which are apportioned to either of the notional accounting periods in accordance with section 702 are treated for the purposes of [F37 sections 253 and 270HE] of CAA 2001 and section 1233 of CTA 2009 (companies with investment business: excess capital allowances) as falling to be made in that notional accounting period.
- (4) Subsection (5) applies if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period of the company in which the relevant gain accrues or arises.
- (5) In calculating the taxable total profits of the accounting period of the company in which the relevant gain accrues or arises, no deduction may be made under section 1219 of CTA 2009 (expenses of management of a company's investment business) by reference to—
  - (a) expenses of management deductible for an accounting period beginning before the change in ownership, or
  - (b) allowances falling to be made for such an accounting period,
 from so much of the total profits of the accounting period as represents the relevant gain.

#### Textual Amendments

**F37** Words in s. 699(3) substituted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **9(3)**

---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

## **700 Disallowance of UK property business losses**

- (1) This section has effect for the purpose of restricting relief under sections 62 and 63 for a loss made by the company in a UK property business before the change in ownership.
- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period of the company in which the relevant gain accrues or arises.
- (3) Relief under section 62(3) is available only in relation to each of the notional accounting periods considered separately.
- (4) A loss made in an accounting period beginning before the change in ownership may not be deducted, as a result of section 62(5) or 63(3), from so much of the profits of an accounting period ending after the change in ownership as represents the relevant gain.

## **701 Disallowance of overseas property business losses**

- (1) This section has effect for the purpose of restricting relief under section 66 for a loss made by the company in an overseas property business before the change in ownership.
- (2) But this section applies only if, in accordance with the relevant provisions and section 702, an amount is included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the accounting period of the company in which the relevant gain accrues or arises.
- (3) A loss in the business made in an accounting period beginning before the change in ownership may not be used under section 66(3) to reduce so much of the profits of the business of an accounting period ending after the change in ownership as represents the relevant gain.

### *Apportionment of amounts*

## **702 Apportionment of amounts**

- (1) This section applies for the purposes of this Chapter, but subsection (2) is subject to subsection (3).
- (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.

<b>Row</b>	<b>1. Amount to be apportioned</b>	<b>2. Method of apportionment</b>
1	The amount which would in accordance with the relevant provisions (and but for this Chapter) be included in respect of chargeable gains or, as the case may be, non-trading chargeable realisation gains in the total profits of the actual accounting period.	(1) If the amount in column 1 does not exceed the amount of the relevant gain, apportion the whole of it to the second notional accounting period. (2) If the amount in column 1 exceeds the amount of the relevant gain, apportion the excess to the first notional accounting period and an amount equal to the relevant gain

---

**Status:** Point in time view as at 08/07/2021.

**Changes to legislation:** Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)

---

- |   |  |  |
|---|--|--|
|   |  | to the second notional accounting period.  |
| 2 | The amount for the actual accounting period of any adjusted non-trading profits from the company's loan relationships (see section 703(2)).  | Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods.   |
| 3 | The amount for the actual accounting period of any adjusted non-trading deficit from the company's loan relationships (see section 703(3)).  | Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods.   |
| 4 | 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.   | (1) If condition A in section 703(4) is met, apportion the amount in column 1 by reference to the time of accrual of the amount to which the debit relates. (2) If condition B in section 703(5) is met, apportion the amount in column 1 to the first notional accounting period. |
| 5 | The amount of any non-trading deficit carried forward to the actual accounting period under section 457(1) [ <sup>F38</sup> ; 463G(6) or 463H(4) of CTA 2009.]   | Apportion the whole of the amount in column 1 to the first notional accounting period.   |
| 6 | 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 7. | 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.                            |
| 7 | 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 [ <sup>F39</sup> loss on intangible fixed assets for] that period. | Apportion the whole of the amount in column 1 to the first notional accounting period.   |
| 8 | The amount of any expenses of management referable to the actual accounting period within the meaning of Chapter 2 of Part 16 of CTA 2009 (companies with investment business) (but see section 703(6)).   | Apportion to each notional accounting period the amounts that would fall to be brought into account in that period as an amount in column 1 if it were a period of account for which accounts were drawn up in accordance with generally accepted accounting practice.             |



*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- |    |   |  |
|----|---|--|
| 9  | The amount of any excess carried forward under section 1223 of CTA 2009 (expenses of management carried forward) to the actual accounting period.   | Apportion the whole of the amount in column 1 to the first notional accounting period.                                       |
| 10 | The amount of any allowances falling to be made for the actual accounting period as a result of section 253 of CAA 2001 which would (but for this Chapter) be added to the expenses of management for the period because of section 1233 of CTA 2009 (excess capital allowances). | Apportion the amount in column 1 on a time basis according to the respective lengths of the two notional accounting periods. |
| 11 | 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 rows 2 to 11 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 703.

#### Textual Amendments

**F38** Words in s. 702(2) Table substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 86(2)** (with Sch. 4 para. 86(4))

**F39** Words in s. 702(2) Table substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 86(3)** (with Sch. 4 para. 86(4))

### 703 Meaning of certain expressions in section 702

- (1) This section applies for the purposes of the table in section 702(2).
- (2) For the purposes of column 1 of row 2 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 4 or 5 of the table were disregarded.
- (3) For the purposes of column 1 of row 3 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 4 or 5 of the table were disregarded.
- (4) Condition A is that—
  - (a) the amount in column 1 of row 4 of the table is determined on an amortised cost basis of accounting, and
  - (b) none of the following provisions applies—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (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 4 of the table is determined on an amortised cost basis of accounting, and
  - (b) any of the provisions mentioned in subsection (4)(b) applies.
- (6) The expenses of management mentioned in column 1 of row 8 of the table do not include any expenses for which a deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) would be disallowed because of subsection (3)(b) of that section.

## CHAPTER 5

### COMPANY WITHOUT INVESTMENT BUSINESS: DISALLOWANCE OF PROPERTY LOSSES

#### 704 Company carrying on UK property business

- (1) This section applies if—
- (a) there is a change in the ownership of a company carrying on a UK property business,
  - (b) the company is not a company with investment business, and
  - (c) condition A or B is met.
- (2) Condition A is that within any period of [<sup>F405</sup>5] years in which the change in ownership occurs there is a major change in the nature or conduct of a trade or UK property business carried on by the company.
- (3) Condition B is that the change in ownership occurs at any time after the scale of the activities in a trade or UK property business carried on by the company has become small or negligible and before any significant revival of the trade or business.
- (4) The following provisions have effect for the purpose of restricting relief under section 62 for a loss made by the company in a UK property business before the change in ownership.
- (5) The accounting period in which the change in ownership occurs (“the actual accounting period”) is treated for that purpose as two separate accounting periods (“notional accounting periods”), the first ending with the change and the second consisting of the remainder of the period.
- (6) The profits or losses of the actual accounting period are apportioned to the two notional accounting periods on a time basis according to the respective lengths of the two periods.
- (7) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (8) Relief under section 62(3) is available only in relation to each of the notional accounting periods considered separately.
- (9) A loss made in an accounting period beginning before the change in ownership may not be—
- (a) carried forward under section 62(5)(a) to an accounting period ending after the change in ownership, or
  - (b) treated in relation to such an accounting period as mentioned in section 62(5)(b).
- (10) In this section “major change in the nature or conduct of a trade or UK property business” includes—
- (a) a major change in the type of property dealt in, or services or facilities provided in, the trade or business, or
  - (b) a major change in customers, outlets or markets of the trade or business.

This section applies even if the change is the result of a gradual process which began before the period of [<sup>F415</sup>] years mentioned in subsection (2).

#### Textual Amendments

**F40** Word in s. 704(2) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 87(2)** (with Sch. 4 para. 87(4))

**F41** Word in s. 704(10) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 87(3)** (with Sch. 4 para. 87(4))

### 705 Company carrying on overseas property business

- (1) This section applies if—
- (a) there is a change in the ownership of a company carrying on an overseas property business,
  - (b) the company is not a company with investment business, and
  - (c) condition A or B is met.
- (2) Condition A is that within any period of [<sup>F425</sup>] years in which the change in ownership occurs there is a major change in the nature or conduct of a trade or overseas property business carried on by the company.
- (3) Condition B is that the change in ownership occurs at any time after the scale of the activities in a trade or overseas property business carried on by the company has become small or negligible and before any significant revival of the trade or business.
- (4) The following provisions have effect for the purpose of restricting relief under section 66 for a loss made by the company in an overseas property business before the change in ownership.
- (5) The accounting period in which the change in ownership occurs (“the actual accounting period”) is treated for that purpose as two separate accounting periods (“notional accounting periods”), the first ending with the change and the second consisting of the remainder of the period.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (6) The profits or losses of the actual accounting period are apportioned to the two notional accounting periods on a time basis according to the respective lengths of the two periods.
- (7) But if that method of apportionment would work unjustly or unreasonably in any case, such other method is to be used as is just and reasonable.
- (8) A loss in the business made in an accounting period beginning before the change in ownership may not be used under section 66(3) to reduce the profits of the business of an accounting period ending after the change in ownership.
- (9) In this section “major change in the nature or conduct of a trade or overseas property business” includes—
  - (a) a major change in the type of property dealt in, or services or facilities provided in, the trade or business, or
  - (b) a major change in customers, outlets or markets of the trade or business.

This section applies even if the change is the result of a gradual process which began before the period of [<sup>F43</sup>5] years mentioned in subsection (2).

#### **Textual Amendments**

- F42** Word in s. 705(2) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 88(2)** (with [Sch. 4 para. 88\(4\)](#))
- F43** Word in s. 705(9) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 88(3)** (with [Sch. 4 para. 88\(4\)](#))

## [<sup>F44</sup>CHAPTER 5A

### SHELL COMPANIES: RESTRICTIONS ON RELIEF

#### **Textual Amendments**

- F44** Pt. 14 Ch. 5A inserted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 13 para. 1(3)**

#### *Introduction*

### **705A Introduction to Chapter**

- (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.

---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

### **705B Notional split of accounting period in which change in ownership occurs**

- (1) This section applies for the purposes of this Chapter.
- (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*

### **705C Restriction on debits to be brought into account**

- (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.

### **705D Restriction on carry forward of non-trading deficit from loan relationships**

- (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

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (b) any subsequent accounting period.

### 705E Restriction on relief for non-trading loss on intangible fixed assets

- (1) 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 [<sup>F45</sup>loss on intangible fixed assets for] that period.

#### Textual Amendments

**F45** Words in s. 705E(3)(b) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 4 para. 170

### *Apportionment of amounts*

### 705F Apportionment of amounts

- (1) 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.

<i>Row</i>	<i>1. Amount to be apportioned</i>	<i>2. Method of apportionment</i>
<i>1</i>	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.
<i>2</i>	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.
<i>3</i>	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.	(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.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (2) If condition B in section 705G(5) is met, apportion the amount in column 1 to the first notional accounting period.
- 4 The amount of any non-trading deficit carried forward to the actual accounting period under section 457(1)<sup>F46</sup>, 463G or 463H] of CTA 2009 (<sup>F47</sup> ... carry forward to accounting periods after deficit 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) <sup>F48</sup> .... 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 <sup>F49</sup> .... 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.

#### Textual Amendments

- F46** Words in s. 705F(2) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(a)**
- F47** Words in s. 705F(2) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(b)**
- F48** Words in s. 705F(2) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(c)**
- F49** Words in s. 705F(2) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 171(d)**

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

## **705G Meaning of certain expressions in section 705F**

- (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—
  - (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.]

## **CHAPTER 6**

### RECOVERY OF UNPAID CORPORATION TAX

#### *General definitions*

## **706 Meaning of “linked” person**

- (1) If there is a change in the ownership of a company, a person is “linked” to the company, for the purposes of this Chapter, if condition A or B is met.
- (2) Condition A is that the person had control of the company at any time in the relevant period before the change.
- (3) Condition B is that the person is a company of which a person mentioned in subsection (2) had control at any time in the period of 3 years before the change.
- (4) For the meaning of—
  - (a) “control”, see section 707, and



---

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

---

- (b) “the relevant period”, see section 709.

### **707 Meaning of “control”**

- (1) This section applies for the purposes of this Chapter.
- (2) A person (“P”) is treated as having control of a company (“C”) if P—
  - (a) exercises,
  - (b) is able to exercise, or
  - (c) is entitled to acquire,direct or indirect control over C's affairs.
- (3) In particular, P is treated as having control of C if P possesses or is entitled to acquire—
  - (a) 50% of the share capital or issued share capital of C,
  - (b) 50% of the voting power in C,
  - (c) so much of the issued share capital of C as would, on the assumption that the whole of the income of C were distributed among the participators, entitle P to receive the greater part of the amount so distributed, or
  - (d) such rights as would entitle P, in the event of the winding up of C or in any other circumstances, to receive the greater part of the assets of C which would then be available for distribution among the participators.
- (4) Any rights that P or any other person has as a loan creditor are to be disregarded for the purposes of the assumption in subsection (3)(c).
- (5) If two or more persons together satisfy any of the conditions in subsections (2) and (3) and do so because they acted together to put themselves in a position where they will in fact satisfy the condition, each of them is treated as having control of C.
- (6) In this section—

“loan creditor” has the meaning given by section 453, and  
“participator” has the meaning given by section 454.
- (7) See also section 708 (rights to be attributed for the purposes of this section).

### **708 Rights to be attributed for the purposes of section 707**

- (1) This section applies for the purposes of section 707.
- (2) A person is treated as entitled to acquire anything which the person—
  - (a) is entitled to acquire at a future date, or
  - (b) will at a future date be entitled to acquire.
- (3) If a person—
  - (a) possesses any rights or powers on behalf of another person (A), or
  - (b) may be required to exercise any rights or powers on A's direction or behalf,those rights or powers are to be attributed to A.
- (4) There may also be attributed to a person all the rights and powers—
  - (a) of any company of which the person has, or the person and associates of the person have, control,
  - (b) of any two or more companies within paragraph (a),

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (c) of any associate of the person, or
  - (d) of any two or more associates of the person.
- (5) The rights and power which may be attributed under subsection (4)—
- (a) include those attributed to a company or associate under subsection (3) but
  - (b) do not include those attributed to an associate under subsection (4).
- (6) Such attributions are to be made under subsection (4) as will result in C being treated as under the control of 5 or fewer participators if it can be so treated.
- (7) In this section—
- “associate” has the meaning given by section 448, and
  - “participator” has the meaning given by section 454.

### **709 Meaning of “the relevant period”**

- (1) This section applies for the purposes of this Chapter.
- (2) “The relevant period”, in relation to a change in the ownership of a company, means the period of 3 years before the change.
- (3) But if in the period of 3 years before the change (“the later change”) there was another change in the ownership of the company (“the earlier change”), “the relevant period”, in relation to the later change, means the period between the earlier change and the later change.

*Recovery of unpaid corporation tax for accounting period beginning before change*

### **710 Recovery of unpaid corporation tax for accounting period beginning before change**

- (1) This section applies if an officer of Revenue and Customs considers that—
  - (a) there has been a change in the ownership of a company (“X”),
  - (b) any corporation tax assessed on X for an accounting period beginning before the change remains unpaid at any time more than 6 months after it was assessed, and
  - (c) any of conditions A to C in section 711 (conditions relating to company's trade or business) is met.
- (2) A person who is linked to X may be assessed by the officer and charged to an amount of corporation tax which does not exceed the amount remaining unpaid.
- (3) A person assessed and charged under this section is to be assessed and charged in the name of X.
- (4) An assessment under this section is not out of time if it is made within 3 years from the date of the final determination of the liability of X to corporation tax for the accounting period mentioned in subsection (1)(b).

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

**Modifications etc. (not altering text)**

- C1** S. 710 excluded by S.I. 2006/3296, reg. 23 (as inserted (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Taxation of Securitisation Companies \(Amendment\) Regulations 2018 \(S.I. 2018/143\)](#), regs. 1(1), 9)

**711 Conditions relating to company's trade or business**

- (1) The following are the conditions mentioned in section 710(1)(c).
- (2) Condition A is that—
  - (a) in the period of 3 years before the change in the ownership of X, the activities of a trade or business of X cease or the scale of those activities becomes small or negligible, and
  - (b) there is no significant revival of those activities before the change occurs.
- (3) Condition B is that after the change in the ownership of X, but under arrangements made before it, the activities of a trade or business of X cease or the scale of those activities becomes small or negligible.
- (4) Condition C is that—
  - (a) there is a major change in the nature or conduct of a trade or business of X in the relevant 6 year period,
  - (b) a relevant transfer of assets of X occurs—
    - (i) in the period of 3 years before the change in the ownership of X, or
    - (ii) after the change but under arrangements made before it, and
  - (c) the major change mentioned in paragraph (a) is attributable to that transfer.
- (5) In this section—

“the relevant 6 year period” means the period of 6 years beginning 3 years before the change in the ownership of X,

“relevant transfer”, in relation to assets of X, means a transfer of those assets—

  - (a) to a person who had control of X at any time in the relevant period before the change in the ownership of X,
  - (b) to a person connected with a person mentioned in paragraph (a), or
  - (c) to a person under arrangements which enable any of those assets, or any assets representing those assets, to be transferred to a person mentioned in paragraph (a) or (b), and

“transfer”, in relation to an asset, includes—

  - (a) any disposal, letting or hiring of it,
  - (b) any grant or transfer of any right, interest or licence in or over it, and
  - (c) the giving of any business facilities with respect to it.
- (6) For the meaning of “a major change in the nature or conduct of a trade or business”, see section 712.

**712 Meaning of “a major change in the nature or conduct of a trade or business”**

- (1) This section applies for the purposes of section 711(4).

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (2) “A major change in the nature or conduct of a trade or business” includes—
  - (a) a major change in the type of property dealt in, or services or facilities provided, in the trade or business,
  - (b) a major change in customers, outlets or markets of the trade or business,
  - (c) a change by which the company ceases to be a trading company and becomes an investment company,
  - (d) a change by which the company ceases to be an investment company and becomes a trading company, and
  - (e) if the company is an investment company, a major change in the nature of the investments held by the company.
- (3) Any reference in subsection (2) to a change includes a change which is achieved gradually as a result of a series of transfers.
- (4) In this section “trading company” means a company whose business consists wholly or mainly in the carrying on of a trade or trades.
- (5) For the purposes of this section, a company is an investment company if—
  - (a) its business consists wholly or mainly in the making of investments, and
  - (b) the principal part of its income is derived from investments.
- (6) But a company is not an investment company if its business consists wholly or mainly in the holding of shares or securities of companies—
  - (a) which are its 90% subsidiaries, and
  - (b) which are trading companies.

*Recovery of unpaid corporation tax for accounting period ending on or after change*

### **713 Recovery of unpaid corporation tax for accounting period ending on or after change**

- (1) This section applies if an officer of Revenue and Customs considers that—
  - (a) there has been a change in the ownership of a company (“Y”),
  - (b) any corporation tax has been assessed on Y or an associated company for an accounting period ending on or after the change,
  - (c) that tax remains unpaid at any time more than 6 months after it was assessed, and
  - (d) the condition in section 714 (the expectation condition) is met.
- (2) A person who is linked to Y may be assessed by the officer and charged to an amount of corporation tax which does not exceed the amount remaining unpaid.
- (3) A person assessed and charged under this section is to be assessed and charged in the name of the company (“T”) by which the tax remains unpaid.
- (4) An assessment under this section is not out of time if it is made within 3 years from the date of the final determination of the liability of T to corporation tax for the accounting period mentioned in subsection (1)(b).
- (5) For the meaning of “associated company”, see section 718.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

**Modifications etc. (not altering text)**

- C2** S. 713 excluded by S.I. 2006/3296, reg. 23 (as inserted (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Taxation of Securitisation Companies \(Amendment\) Regulations 2018 \(S.I. 2018/143\)](#), regs. 1(1), 9)

**714 The expectation condition**

- (1) The condition mentioned in section 713(1)(d) is that it would be reasonable (apart from section 713) to make the inference specified in subsection (3) from any of the matters specified in subsection (2).
- (2) Those matters are—
  - (a) the terms of any transactions entered into in connection with the change in the ownership of Y, and
  - (b) the other circumstances of the change and of any such transactions.
- (3) The inference is that at least one of the transactions mentioned in subsection (2) was entered into by one or more of its parties on the assumption that, if a potential tax liability were to arise, it would be unlikely to be met or to be met in full.
- (4) A “potential tax liability” is a liability to pay corporation tax which would or might arise—
  - (a) from an assessment, made after the change in ownership, on Y or an associated company (whether or not a particular associated company), and
  - (b) in foreseeable circumstances.
- (5) Circumstances are “foreseeable circumstances” if—
  - (a) the circumstances were reasonably foreseeable at the time of the change in ownership, or
  - (b) there was a reasonably foreseeable risk at that time that the circumstances might occur.
- (6) For the meaning of “transaction entered into in connection with change in ownership”, see section 715.

**715 Meaning of “transaction entered into in connection with change in ownership”**

- (1) This section has effect for the purposes of section 714.
- (2) A transaction is entered into in connection with a change in the ownership of Y if—
  - (a) it is the transaction, or one of the transactions, by which the change is effected, or
  - (b) it is entered into as part of a series of transactions, or scheme, of which transactions effecting the change have formed or will form part.
- (3) Any reference in this section to a scheme is to a scheme, arrangements or understanding of any kind.
- (4) It does not matter for the purposes of subsection (3)—
  - (a) whether the scheme, arrangements or understanding is legally enforceable, or
  - (b) how many transactions are involved.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (5) It does not matter, for the purpose of determining whether any transactions have formed or will form part of a series of transactions or scheme, that the parties to each of the transactions are not the same.
- (6) The cases in which any two or more transactions are to be taken as forming part of a series of transactions or scheme include a case in which it would be reasonable to assume that one or more of them—
  - (a) would not have been entered into independently of the other or others, or
  - (b) if entered into independently of the other or others, would not have taken the same form or been on the same terms.

### *Miscellaneous*

#### **716 Interest**

- (1) Section 87A of TMA 1970 (interest on overdue corporation tax etc) has effect in relation to corporation tax assessed under section 710 or 713 (recovery of unpaid corporation tax) with the following modification.
- (2) That modification is that any reference to the date when the tax becomes due and payable is to be read as a reference to the date when the tax became due and payable—
  - (a) in the case of an assessment under section 710 (recovery of tax for accounting period beginning before change), by X,
  - (b) in the case of an assessment under section 713 (recovery of tax for accounting period ending on or after change), by Y or the associated company, depending on which is the company whose unpaid tax gave rise to the assessment.

#### **717 Effect of payment in pursuance of assessment under section 710 or 713**

- (1) A payment—
  - (a) in pursuance of an assessment under section 710 or 713 (recovery of unpaid corporation tax), or
  - (b) of interest under section 87A of TMA 1970 (as that section has effect in accordance with section 716),
 is not allowed as a deduction in calculating income, profits or losses for any tax purposes.
- (2) A person who makes such a payment may recover an amount equal to the payment—
  - (a) in the case of an assessment under section 710 (recovery of tax for accounting period beginning before change), from X, or
  - (b) in the case of an assessment under section 713 (recovery of tax for accounting period ending on or after change), from Y or the associated company, depending on which is the company whose unpaid tax gave rise to the assessment.

#### **718 Meaning of “associated company”**

- (1) This section has effect for the purposes of sections 713 and 714.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (2) “Associated company”, in relation to Y and an assessment to tax, means a company (whenever formed) which, at the time of the assessment or at an earlier time after the change in the ownership of Y—
- (a) has control of Y,
  - (b) is a company of which Y has control, or
  - (c) is a company under the control of the same person or persons as Y.

## CHAPTER 7

### MEANING OF “CHANGE IN THE OWNERSHIP OF A COMPANY”

#### *Meaning of “change in the ownership of a company”*

#### **719 Meaning of “change in the ownership of a company”**

- (1) For the purposes of this Part there is a change in the ownership of a company if condition A, B or C is met.
- (2) Condition A is that a single person acquires a holding of more than half the ordinary share capital of the company.
- (3) Condition B is that—
  - (a) two or more persons each acquire a holding of at least 5% of the ordinary share capital of the company, and
  - (b) those holdings together amount to more than half the ordinary share capital of the company.
- (4) Condition C is that—
  - (a) two or more persons each acquire a holding of the ordinary share capital of the company, and
  - (b) those holdings together amount to more than half the ordinary share capital of the company,but there is disregarded a holding of less than 5% unless—
  - (i) it is an addition to an existing holding, and
  - (ii) the two holdings together amount to at least 5% of the ordinary share capital of the company.

[<sup>F50</sup>(4A) For the purposes of Chapters 2A to [<sup>F51</sup>2E] there is also a change in the ownership of a company (“C”) if, as a result of the acquisition by a person of a holding of the ordinary share capital of the company, the group condition (as defined in section 188CE) is met in relation to C and another company (“A”) (which was not a member of the same group of companies as C before the acquisition).

In this subsection the reference to membership of a group of companies is to be interpreted in accordance with section 188FB.]

- (5) See also sections 721 and 722 which provide for things other than ordinary share capital to be taken into account in determining whether there has been a change in the ownership of a company.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

### Textual Amendments

- F50** S. 719(4A) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 89](#)
- F51** Word in s. 719(4A) substituted (with effect in accordance with Sch. 8 para. 21 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 8 para. 14](#)

## 720 Section 719: supplementary

- (1) The following provisions apply for the purposes of section 719.
- (2) The circumstances at any two points in time with not more than 3 years between may be compared, and a holder (“H”) at the later time may be regarded as having acquired whatever H did not hold at the earlier time.

It does not matter what H has acquired or disposed of in between.

- (3) To allow for any issue of shares or other reorganisation of capital, the comparison may be made in terms of percentage holdings of the total ordinary share capital at the respective times, so that a person whose percentage holding is greater at the later time may be regarded as having acquired a percentage holding equal to the increase.
- (4) To decide if a person has acquired—
  - (a) a holding of at least 5%, or
  - (b) a holding which makes at least 5% when added to an existing holding,
 acquisitions by, and holdings of, two or more persons who are connected persons are to be added together as if they were acquisitions by, and holdings of, one and the same person.
- (5) Any acquisition of shares under a will or on intestacy is left out of account.
- (6) Any gift of shares which is unsolicited and made without regard to the provisions of this Part is left out of account.

## 721 When things other than ordinary share capital may be taken into account: Chapters 2 to <sup>F52</sup>5A]

- (1) This section applies for the purposes of Chapters 2 to <sup>F53</sup>5A ] if conditions A and B are met.
- (2) Condition A is that persons (whether company members or not) possess extraordinary rights or powers under any document regulating a company.
- (3) Condition B is that because of that fact ownership of the ordinary share capital may not be an appropriate test of whether there has been a major change in the persons for whose benefit the relief may ultimately enure.
- (4) In determining whether there has been a change in the ownership of the company for the purposes of Chapter 2, <sup>F54</sup>2A, 2B, 2C, 2D,]<sup>F55</sup>2E,] 3, 4 <sup>F56</sup>, 5 or 5A ] , any of the following may be taken into account instead of ordinary share capital—
  - (a) holdings of all kinds of share capital,
  - (b) holdings of any particular kind of share capital,
  - (c) voting power, and



*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (d) any other kind of special power.

#### Textual Amendments

- F52** Word in s. 721 heading substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 13 para. 1\(4\)\(a\)](#)
- F53** Word in s. 721(1) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 13 para. 1\(4\)\(b\)](#)
- F54** Words in s. 721(4) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 90](#)
- F55** Word in s. 721(4) inserted (with effect in accordance with Sch. 8 para. 21 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 8 para. 15](#)
- F56** Words in s. 721(4) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 13 para. 1\(4\)\(c\)](#)

## 722 When things other than ordinary share capital may be taken into account: Chapter 6

- (1) This section applies for the purposes of Chapter 6 if conditions A and B are met.
- (2) Condition A is that persons (whether company members or not) possess extraordinary rights or powers under any document regulating a company.
- (3) Condition B is that because of that fact ownership of the ordinary share capital may not be an appropriate test of whether there has been a change in the ownership of the company.
- (4) In determining whether there has been a change in the ownership of the company for the purposes of Chapter 6, any of the following may be taken into account instead of ordinary share capital—
  - (a) holdings of all kinds of share capital,
  - (b) holdings of any particular kind of share capital,
  - (c) voting power, and
  - (d) any other kind of special power.

### *Changes in indirect ownership*

## 723 Changes in indirect ownership

- (1) This section applies if there is a change in the ownership of a company, other than a change in ownership which is disregarded because of section 724 [<sup>F57</sup> or 724A] .
- (2) The reference in subsection (1) to a change in the ownership of a company includes a change in ownership occurring as a result of the application of this section.
- (3) If condition A in section 719 is met, the person mentioned in that condition is treated for the purposes of this Chapter as having acquired at the time of the change in ownership any relevant assets owned by the company.
- (4) If condition B in section 719 is met but condition A is not, each of the persons mentioned in condition B is treated for the purposes of this Chapter as having acquired

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

at the time of the change in ownership the appropriate fraction of any relevant assets owned by the company.

(5) In a case not falling within subsection (3) or (4), each of the persons mentioned in condition C in section 719 (other than any person whose holding is disregarded for the purposes of that condition) is treated for the purposes of this Chapter as having acquired at the time of the change in ownership the appropriate fraction of any relevant assets owned by the company.

(6) In this section—

“the appropriate fraction”, in relation to one of two or more persons mentioned in subsection (4) or (5), means—

$$\frac{X}{Y}$$

where—

a X is the percentage of the ordinary share capital acquired by that person, and

b Y is the percentage of that capital acquired by all those persons taken together, and

“relevant assets”, in relation to a company, means—

(a) any ordinary share capital of another company, and

(b) any property or rights which under section 721 or 722 may be taken into account instead of ordinary share capital of another company.

#### **Textual Amendments**

**F57** Words in s. 723(1) inserted (with effect in accordance with s. 37(6) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 37\(3\)](#)

### *Disregard of change in ownership*

#### **724 Disregard of change in company ownership**

(1) A change in the ownership of a company (“the subsidiary company”) is disregarded for the purposes of Chapters 2 to 6 if —

(a) immediately before the change in ownership, the subsidiary company is a qualifying 75% subsidiary of another company (“the parent company”), and

(b) although there is a change in the direct ownership of the subsidiary company, the subsidiary company continues after the change to be a qualifying 75% subsidiary of the parent company.

(2) For the purposes of this section, the subsidiary company is a qualifying 75% subsidiary of the parent company if conditions A, B and C are met.

(3) Condition A is that the subsidiary company is a 75% subsidiary of the parent company.

(4) Condition B is that the parent company would be beneficially entitled to at least 75% of any profits available for distribution to equity holders of the subsidiary company.

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (5) Condition C is that the parent company would be beneficially entitled to at least 75% of any assets of the subsidiary company available for distribution to its equity holders on a winding up.
- (6) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsections (4) and (5) as it applies for the purposes of section 151(4)(a) and (b).

#### [<sup>F58</sup>724A] Disregard of change in parent company

- (1) Where a new company (“N”) acquires all the issued share capital of another company (“C”), the resulting ownership change is disregarded for the purposes of Chapters 2 to 6 if, immediately after that acquisition (“the acquisition”), N—
  - (a) possesses all of the voting power in C,
  - (b) is beneficially entitled to 100% of any profits available for distribution to equity holders of C,
  - (c) would be beneficially entitled to 100% of any assets of C available for distribution to its equity holders in the event of a winding up of C or in any other circumstances, and
  - (d) meets the continuity requirements.
- (2) “The resulting ownership change” means the change in the ownership of C by reason of Condition A in section 719 being met in relation to the acquisition.
- (3) A company is “new” if, before the acquisition, it has neither—
  - (a) issued any shares other than subscriber shares, nor
  - (b) begun to carry on any trade or business.
- (4) N meets the continuity requirements if, and only if—
  - (a) the consideration for the acquisition consists only of the issue of shares in N to the shareholders of C,
  - (b) immediately after the acquisition, each person who immediately before the acquisition was a shareholder of C is a shareholder of N,
  - (c) immediately after the acquisition, the shares in N are of the same classes as were the shares in C immediately before the acquisition,
  - (d) immediately after the acquisition, the number of shares of any particular class in N bears to all the shares in N the same proportion, or as nearly as may be the same proportion, as the number of shares of that class in C bore to all the shares in C immediately before the acquisition, and
  - (e) immediately after the acquisition, the proportion of shares of any particular class in N held by any particular shareholder is the same, or as nearly as may be the same, as the proportion of shares of that class in C held by that shareholder immediately before the acquisition.
- (5) For the purposes of this section, N is treated as acquiring all the issued share capital of C for consideration consisting only of the issue of shares in N to the shareholders of C if, as a result of a scheme of reconstruction involving the cancellation of all shares in C and the issue of shares in N—
  - (a) N holds all the issued share capital of C by reason of that share capital being issued to N by C, and

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (b) only shares in N are issued to the persons who were shareholders of C immediately before the shares in C were cancelled.
- (6) In a case within subsection (5), subsection (4) applies as if any reference to immediately before the acquisition were a reference to immediately before the shares in C were cancelled.
- (7) “Scheme of reconstruction” means a scheme carried out in pursuance of a compromise or arrangement—
  - (a) to which Part 26 [<sup>F59</sup>or 26A] of the Companies Act 2006 (arrangements and reconstructions) applies, or
  - (b) under any corresponding provision of the law of a country or territory outside the United Kingdom.
- (8) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (1)(b) and (c) as it applies for the purposes of section 151(4).]

#### Textual Amendments

**F58** S. 724A inserted (with effect in accordance with s. 37(6) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 37\(4\)](#)

**F59** Words in s. 724A(7)(a) inserted (26.6.2020) by [Corporate Insolvency and Governance Act 2020 \(c. 12\), s. 49\(1\), Sch. 9 para. 44](#) (with ss. 2(2), 5(2))

#### *Supplementary provision*

#### **725 Provision applying for the purposes of Chapters 2 to [<sup>F60</sup>5A]**

- (1) This section applies for the purposes of Chapters 2 to [<sup>F61</sup>5A ] .
- (2) If any of those Chapters has operated to restrict relief by reference to a change in the ownership of a company taking place at any time, no transaction or circumstances before that time may be taken into account in determining whether there is any subsequent change in the ownership of the company.
- (3) The following provisions apply if—
  - (a) any relevant assets are taken into account in determining that there has been a change in the ownership of a company, and
  - (b) the relevant assets were acquired—
    - (i) in pursuance of a contract of sale or option or other contract, or
    - (ii) by a person holding such a contract.
- (4) The time when the change in the ownership of the company took place is to be determined as if the acquisition had been made—
  - (a) when the contract was made with the holder, or
  - (b) when the benefit of it was assigned to the holder.
- (5) Accordingly, a person exercising an option to purchase shares is treated as having purchased the shares when that person acquired the option.
- (6) In this section “relevant assets” means—

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

- (a) ordinary share capital, or
- (b) any property or rights which under section 721 or 722 may be taken into account instead of ordinary share capital.

**Textual Amendments**

- F60** Word in s. 725 heading substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 13 para. 1\(5\)\(a\)](#)
- F61** Word in s. 725(1) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 13 para. 1\(5\)\(b\)](#)

**726 Interpretation of Chapter**

In this Chapter—

“ownership” means beneficial ownership (and references to acquisition [<sup>F62</sup>and shareholder ] are construed accordingly), and  
“shares” includes stock.

**Textual Amendments**

- F62** Word in s. 726 inserted (with effect in accordance with s. 37(6) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [s. 37\(5\)](#)

**CHAPTER 8**

**SUPPLEMENTARY PROVISION**

**727 Extended time limit for assessment**

If the operation of any provision in Chapters 2 to 6 depends on circumstances or events at a time or times after (but not more than [<sup>F63</sup>5] years after) a change in the ownership of a company, an assessment to give effect to that provision is not out of time if made within 6 years from that time, or the latest of those times.

**Textual Amendments**

- F63** Word in [s. 727](#) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 91](#)

<sup>F64</sup>**728 Provision of information about ownership of shares etc**

.....

**Textual Amendments**

- F64** S. 728 omitted (with effect in accordance with Sch. 23 para. 65 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 23 paras. 64\(2\)\(c\)](#), [65\(1\)\(a\)](#) (with [Sch. 23 paras. 50](#), [65\(1\)\(b\)](#))

*Status: Point in time view as at 08/07/2021.*

*Changes to legislation: Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)*

## 729 Meaning of “company with investment business”

In this Part “company with investment business” has the meaning given by [F65 section 1218B] of CTA 2009.

### Textual Amendments

**F65** Words in s. 729 substituted (15.9.2016) by [Finance Act 2016 \(c. 24\), s. 55\(c\)](#)

## 730 Meaning of “relevant non-trading debit”

- (1) This section applies for the purposes of sections 679 [F66, 696 and 705C] .
- (2) “Relevant non-trading debit” means a non-trading debit within subsection (3), (4) or (5).
- (3) A non-trading debit is within this subsection if—
  - (a) it is determined on an amortised cost basis of accounting,
  - (b) section 407 or 409 of CTA 2009 (postponement until redemption of debits for connected or close companies' deeply discounted securities) applies, and
  - (c) were it not for those sections, the debit would have fallen to be brought into account for the purposes of Part 5 of that Act (loan relationships) for an accounting period ending before or with the change in ownership mentioned in section 679 [F67, 696 or 705C] .
- (4) A non-trading debit is within this subsection if—
  - (a) it is determined on an amortised cost basis of accounting,
  - (b) section 373 of CTA 2009 (late interest treated as not accruing until paid in some cases) applies, and
  - (c) were it not for that section, the debit would have fallen to be brought into account for the purposes of Part 5 of that Act for an accounting period ending before or with the change in ownership mentioned in section 679 [F68, 696 or 705C] .
- (5) A non-trading debit is within this subsection if—
  - (a) it is not within subsection (3) or (4),
  - (b) it is a debit in respect of a debtor relationship of the company mentioned in section 679 [F69, 696 or 705C] ,
  - (c) it is determined on an amortised cost basis of accounting, and
  - (d) it relates to an amount that accrued before the change in ownership so mentioned.
- (6) Expressions used both in this section and in Part 5 of CTA 2009 (loan relationships) have the same meaning as in that Part.

### Textual Amendments

**F66** Words in s. 730(1) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 13 para. 1\(6\)\(a\)](#)

**F67** Words in s. 730(3)(c) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 13 para. 1\(6\)\(b\)](#)

---

**Status:** Point in time view as at 08/07/2021.

**Changes to legislation:** Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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)

---

- |   |
|---|
| <p><b>F68</b> Words in s. 730(4)(c) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by <a href="#">Finance Act 2013 (c. 29)</a>, <a href="#">Sch. 13 para. 1(6)(b)</a></p> <p><b>F69</b> Words in s. 730(5)(b) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by <a href="#">Finance Act 2013 (c. 29)</a>, <a href="#">Sch. 13 para. 1(6)(b)</a></p> |
|---|

**Status:**

Point in time view as at 08/07/2021.

**Changes to legislation:**

Corporation Tax Act 2010, Part 14 is up to date with all changes known to be in force on or before 11 September 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.