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Corporate Intangibles Research and Development Manual

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CIRD48050 - Intangible assets: avoidance: change of ownership of company CTA10/PART14/CHAPTERS3 and 4

General - loss buying

The provisions in CTA10/PART14 contain the CT 'loss-buying' rules that apply to taxable credits and deductible debits arising under CTA09/PART8.

The specific credits and debits affected are those that fall into the 'non-trading' category (see

[CIRD13530 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530)). Where credits and debits arising under CTA09/PART8 are taken into account for CT in computing income from a wider source (a trade or property business), no adaptation of the loss-buying rules described in CTM06300 onwards (trades) and PIM4250 (property business) is necessary.

The provisions in CTA10/PART14/CHAPTER3 limit the extent to which:

- non-trading debits or non-trading losses arising before the change of ownership of a company can be set against profits (of any description) arising afterwards; and
- reliefs such as management expenses arising before the change of ownership of a company can be set against a taxable credit arising on the realisation of intangible assets afterwards.

Non-trading credit on realisation of asset following change of ownership of a company

CTA10/PART14/CHAPTER4 counters schemes under which the new owners of an investment company arrange for an asset, shortly to generate a capital gain on disposal, to be transferred to it under cover of the no gain/no loss CG rules for intra-group transfers in order to set unused management expenses against the gain.

CTA10/S692 provides that these provisions also apply where:

- the asset transferred to the investment company in question is goodwill or an intangible fixed asset which it acquires on 'tax-neutral' terms under CTA09/S775 (see [CIRD40200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40200)); and
- the subsequent disposal of that asset gives rise to a non-trading credit ([CIRD13530](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530))

<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530>)).

CTM08880 onwards describes the circumstances where CTA10/PART14/CHAPTER4 applies and the restriction in management expenses against the subsequent capital gain. The method of restricting the expenses is the same in the case where it is a non-trading credit under CTA09/PART8 that arises rather than a capital gain.

Non-trading debits and losses on change of ownership of a company

CTA10/S698 addresses the situation where an investment company whose ownership changes has an unused “non-trading loss” under CTA09/PART8, referable to periods prior to the change of ownership. The conditions that trigger the operation of the section are the same as those which trigger parallel rules in respect of surplus management expenses (CTM08700 onwards) and property losses (PIM4250).

Allocation to periods before and after change of ownership

CTA10/S685 and CTA/S702 (for the purposes of CHAPTER 3 and CHAPTER 4 respectively) allocate sums to the periods before and after a change of ownership.

In outline:

- non-trading losses under CTA09/PART8 carried forward from earlier periods are allocated to the part of the accounting period that falls before the change of ownership; and
- the allocation of non-trading debits and credits within CTA09/PART8 arising in an accounting period which straddles the date on which the change of ownership takes place should follow the timing allocation that would be prescribed by

UK GAAP (as defined in [CIRD30020](https://www.gov.uk/hmrc-internal-manuals/cird30020) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30020>)).

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