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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD13540 - Core computational rules: CT computation: intangible assets not used for a trade or property business: set-off of non-trading loss against total profits

CTA09/PART8/S753

Where the aggregation of non-trading debits and credits described in CIRD13530 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530) results in a loss (a ‘non-trading loss') a company may make a claim to set off all or part of that loss against its total profits for the accounting period in which the loss arises.

The claim must be made within two years of the end of that accounting period or within such period as HMRC allow. The approach in CTM90610 should be applied to claims made outside the two year time limit.

Subject to that, the general rules for claims under CT self-assessment described in CTM90600 onwards apply.

Carried forward non-trade losses

For periods before 1 April 2017

Any unused non-trade losses on intangible fixed assets (NTLIFAs) arising before 1 April 2017 are treated as a non-trading debit of the next period. This includes brought forward losses arising before 1 April 2017 and treated as non-trading debits in the first accounting period beginning on or after 1 April 2017.

Any brought forward NTLIFAs that are treated as non-trading debits arising in the later period are aggregated with non-trading debits and credits of that next period.

From 1 April 2017

The loss reform rules (F(2)A17/S18) changed the way that brought forward non-trading losses are dealt under CTA09/PART8. The main change is that NTLIFAs arising from 1 April 2017 are no longer treated as non-trading debits arising in a later period. This means the NTLIFAs retain their identity as a loss in subsequent periods and are not aggregated with the non-trading debits and credits of that later period.

Note that in the first period following the change from 1 April 2017 the NTLIFA arising in that period may include non-trading debits that arose in an earlier period as a consequence of the previous rule in CTA09/S753(3). That brought forward NTLIFA will initially be treated as a non-trading debit arising in that period.

This example illustrates the effect of the change to the aggregation rule for brought forward NTLIFAs:

Accounting period	**1/4/16 - 31/3/17**	**1/4/17 - 31/3/18**	**1/4/18 - 31/3/19**
Non-trading credits	100	200	150
Non-trading debits	400	500	600
Non-trading debit b/f	Nil	**300**	-
NTLIFA	300	600	450
NTLIFA b/f (from 1/4/17)	-	-	**400**
NTLIFA used	Nil	200	850
NTLIFA to c/f	**300**	**400**	Nil

Note: Although the legislation is effective from 1 April 2017, the NTLIFA arising in the period to 31 March 2017 (£300) is treated as a non-trading debit of the later period and subject to the aggregation rule. The NTLIFA arising in the period ended 31 March 2018 is the first year to which the change to the aggregation rule will apply.

The example reflects that the unused loss arising in the period ended 31 March 2018 is carried forward and treated as a loss in the later period. In the period ended 31 March 2019 both losses can be utilised, e.g. the in year loss of £450 plus the b/f loss of £400.

Loss reform

The loss reform rules are explained in more detail in Company Tax manual (CTM04800+) but a summary of the main changes are:

- Brought forward NTLIFAs are subject to the loss restriction rules introduced by F(2)A17 from 1 April 2017. Brought forward losses (which arose at any time) cannot reduce profits by more than 50%, subject to an allowance of £5 million per company or group.
- Brought forward NTLIFAs can be used more flexibly from 1 April 2017 (see CIRD13550 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13550)). For example, brought forward NTLIFAs can be group relieved under CTA10/PART5A like other losses. Note however this more flexible treatment only applies to NTLIFAs arising on or after 1 April 2017.

In summary; NTLIFAs may still be set against total profits of that accounting period or surrendered as group relief (CIRD13550 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13550)). But from 1 April 2017 any unrelieved NTLIFA is carried forward and treated as a NTLIFA of the following accounting period, rather than a non-trading debit of that later period.

But NTLIFAs arising after 1 April 2017 cannot be carried forward from an accounting period in which the investment business ceases. (CTA09/S753(4))

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