

Corporation tax: manner of granting, and effect of, allowances made by means of discharge or repayment of tax. CTA76 s14(3) to (8) 308.—(1) Where an allowance is to be made to a company for any accounting period which is to be given by discharge or repayment of tax or in charging its income under Case V of Schedule D, and is to be available primarily against a specified class of income, it shall, as far as may be, be given effect by deducting the amount of the allowance from any income of the period, being income of the specified class.

(2) Balancing charges for any accounting period which are not to be made in taxing a trade shall, notwithstanding any provision for them to be made under Case IV or V of Schedule D, as the case may be, be given effect by treating the amount on which the charge is to be made as income of the same class as that against which the corresponding allowances are available or primarily available.

(3) Where an allowance which is to be made for any accounting period by means of discharge or repayment of tax, or in charging income under Case V of Schedule D, as the case may be, cannot be given full effect under subsection (1) in that period by reason of a want or deficiency of income of the relevant class, then, so long as the company remains within the charge to corporation tax, the amount unallowed shall be carried forward to the succeeding accounting period, except in so far as effect is given to it under subsection (4), and the amount so carried forward shall be treated for the purposes of this section, including any further application of this subsection, as the amount of a corresponding allowance for that period.

(4) Where an allowance (other than an allowance carried forward from an earlier accounting period) which is to be made for any accounting period by means of discharge or repayment of tax, or in charging income under Case V of Schedule D, as the case may be, and which is available primarily against income of a specified class cannot be given full effect under subsection (1) in that period by reason of a want or deficiency of income of that class, the company may claim that effect shall be given to the allowance against the profits (of whatever description) of that accounting period and, if the company was then within the charge to corporation tax, of preceding accounting periods ending within the time specified in subsection (5), and, subject to that subsection and to any relief for earlier allowances or for losses, the profits of any of those accounting periods shall then be treated as reduced by the amount unallowed under subsection (1), or by so much of that amount as cannot be given effect under this subsection against profits of a later accounting period.

(5) The time referred to in subsection (4) is a time immediately preceding the accounting period first mentioned in subsection (4) equal in length to the accounting period for which the allowance is to be made; but the amount or aggregate amount of the reduction which may be made under that subsection in the profits of an accounting period falling partly before that time shall not, with the amount of any reduction to be made in those profits under any corresponding provision of the Corporation Tax Acts relating to losses, exceed a part of those profits proportionate to the part of the period falling within that time.

(6) A claim under subsection (4) shall be made by notice in writing given to the inspector not later than 2 years from the end of the accounting period in which an allowance cannot be given full effect under subsection (1).