

Restriction of group relief. CTA76 s116A(1)(a) and (b)(ii), (2) and (3), (4)(b) and (5); FA88 s34; FA92 s46(2) 456.—(1) (a) In this section—

“trade”, “income from the sale of goods”, “charges on income paid for the purposes of the sale of goods” and “the sale of goods and merchandise” have the same meanings respectively as in section 454;

“a loss from the sale of goods” has the same meaning as in section 455;

“an excess of charges on income paid for the purpose of the sale of goods” in the course of the trade in an accounting period shall be so much of an amount, being the amount by which the charges on income paid by a company for the purpose of the sale of goods in the course of the trade in that period exceed the income from the sale of goods in the course of the trade in that period, as does not exceed the excess referred to in section 420 (6) as computed for the company for that period.

(b) Section 454 (1)(b) shall apply for the purposes of this section as it applies for the purposes of section 454.

(2) (a) Notwithstanding subsections (1) and (6) of section 420 and section 421 but subject to subsection (4), where in any accounting period ending on or before the 31st day of December, 2010, the surrendering company incurs a loss from the sale of goods or an excess of charges on income paid for the purpose of the sale of goods, that loss or excess may be set off for the purposes of corporation tax against income from a trade of the claimant company for its corresponding accounting period to the extent of that income or, if it is less, to the extent of the income from the sale of goods in the course of the trade reduced by—

(i) charges on income paid for the purposes of the sale of goods ), and

(ii) any loss relief under section 455 (3);

but no other relief shall be given in respect of that loss or excess to a company other than the surrendering company.

(b) Group relief allowed under paragraph (a) shall reduce the income from a trade of the claimant company for an accounting period—

(i) before relief granted under section 397 in respect of a loss incurred in a succeeding accounting period or periods, and

(ii) after the relief granted under section 396 in respect of a loss incurred in a preceding accounting period or periods.

(3) (a) For the purposes of section 448 (3), “the amount of the company's income for the relevant accounting period from the sale in the course of the trade mentioned in that subsection of goods and merchandise” shall be determined in accordance with section 448 (4) as if no group relief had been allowed

under this section.

(b) Notwithstanding section 448 (3), “the income from the sale of those goods” in an accounting period for the purposes of section 448 (2) shall be the sum determined by section 448 (3) for that period reduced by any group relief allowed under this section against income of the trade mentioned in section 448 (2) in that period.

(4) This section shall not apply to so much of a loss from the sale of goods in the course of a trade in an accounting period as does not exceed the amount of the capital allowances under section 323 (2) deducted by the surrendering company in computing the loss which the company has incurred in that period in carrying on trading operations specified in a certificate given to it, and not subsequently revoked, by the Minister for Finance under section 446.

(5) For the purposes of this section—

(a) in the case of a claim made by a company as a member of a consortium, only a fraction of a loss from the sale of goods or an excess of charges on income paid for the purpose of the sale of goods may be set off, and that fraction shall be equal to that member's share in the consortium, subject to any further reduction under section 422 (2), and

(b) section 422 shall apply as if—

(i) for “total profits” in subsection (2)(a) of that section there were substituted “income from a trade”, and

(ii) for “those profits” in subsection (2)(b) of that section there were substituted “the income from the sale of goods in the course of a trade of the claimant company”.