

Restriction of certain charges on income. CTA76 s10A(1)(a) and (b)(ii), (2) and (3); FA92 s46(1)(a); FA93 s50 454.—(1) (a) In this section—

“trade” means a trade carried on by a company which consists of or includes the manufacture of goods (including activities carried on in an accounting period which, if the company had sufficient profits in that period and made a claim for relief in respect of the trade under this Part for that period, would be regarded for the purposes of this Part as the manufacture of goods);

“income from the sale of goods” in an accounting period in the course of a trade carried on by a company

shall, subject to section 422 as applied for the purposes of relief under section 456, be such income as would be “the income from the sale of those goods” in that period in the course of the trade for the purposes of a claim under section 448 (2), if—

(i) no group relief under section 456 or loss relief under section 455 (3) were allowed against income from the trade in that period,

(ii) the company had sufficient profits, and

(iii) the company made a claim for relief under this Part;

“charges on income paid for the purpose of the sale of goods” in the course of a trade in an accounting period shall be such amount as would be the amount of the income from the sale of goods in that period if, notwithstanding section 448 (4), “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” for the purposes of section 448 (3) were the amount of so much of the charges on income paid wholly and exclusively for the purposes of the trade in that period as appears to the inspector or on appeal to the Appeal Commissioners to be referable to charges on income paid for the purpose of the sale of goods and merchandise;

“the sale of goods and merchandise” in the course of a trade carried on by a company means the sale of such goods and merchandise as would respectively be treated as goods and merchandise for the purposes of a claim under this Part, if the company had a sufficiency of profits and had made such a claim.

(b) For the purposes of this section, where an accounting period begins before the 1st day of January, 2011, and ends on or after that date, it shall be divided into one part beginning on the day on which the accounting period begins and ending on the 31st day of December, 2010, and another part beginning on the 1st day of January, 2011, and ending on the day the accounting period ends, and both parts shall be treated as if they were separate accounting periods.

(2) Notwithstanding section 243, so much of the total amount of charges on income paid for the purpose of the sale of goods by a company in an accounting period ending on or before the 31st day of December, 2010, in the course of a trade or trades, as the case may be, shall not be allowed as a deduction against the total profits of the company for the period as exceeds the total amount, reduced by any loss relief under section

455 (3), of the company's income from the sale of goods in the course of the trade or trades, as the case may be, in the period.

(3) (a) Notwithstanding section 448 (3), the income of a company, referred to in the expression “the income from the sale of those goods”, for any accounting period for the purposes of section 448 (2) shall be the sum determined by section 448 (3) for that period reduced by any charges on income paid for the purpose of the sale of goods which are allowed as a deduction against the total profits of the company for that period.

(b) Notwithstanding section 4 (4)(b), the income of a company, referred to in the expression “total income brought into charge to corporation tax”, for any accounting period for the purposes of section 448 (2) shall be the sum determined by section 4 (4)(b) for that period reduced by any charges on income paid for the purposes of the sale of goods which are allowed as a deduction against the total profits of the company for that period.

(c) Where for any accounting period of a company—

(i) the corporation tax referable to the income of the company from the sale of goods is to be reduced under section 448, and

(ii) charges on income paid for the purpose of the sale of goods have been allowed as a deduction against total profits,

then, notwithstanding section 148, the charges on income paid for the purpose of the sale of goods shall be deducted from the amount of the relevant deduction in relation to the period for charges on income in section 148 (1).