

Change in ownership of company: disallowance of trading losses. CTA76 s27(1) to (7) 401.—(1) In this section, “major change in the nature or conduct of a trade” includes—

(a) a major change in the type of property dealt in, or services or facilities provided, in the trade,
or

(b) a major change in customers, outlets or markets of the trade,

and this section shall apply even if the change is the result of a gradual process which began outside the period of 3 years mentioned in subsection (2)(a).

(2) Where—

(a) within any period of 3 years, there is both a change in the ownership of a company and (whether earlier or later in that period or at the same time) a major change in the nature or conduct of a trade carried on by the company, or

(b) at any time after the scale of the activities in a trade carried on by a company has become small or negligible and before any considerable revival of the trade, there is a change in the ownership of the company,

relief shall not be given—

(i) under section 396 by setting a loss incurred by the company in an accounting period beginning before the change of ownership against any income or other profits of an accounting period ending after the change of ownership, or

(ii) under paragraph 16 or 18 of Schedule 32 against corporation tax payable for any accounting period ending after the change of ownership.

(3) (a) In applying this section to the accounting period in which the change of ownership occurs, the part ending with the change of ownership and the part after that change shall be treated as 2 separate accounting periods, and the profits or losses of the accounting period shall be apportioned to the 2 parts.

(b) The apportionment under paragraph (a) shall be on a time basis according to the respective lengths of the 2 parts except that, if it appears that that method would operate unreasonably or unjustly, such other method shall be used as appears just and reasonable.

(4) In relation to any relief available under section 400, subsection (2) shall apply as if any loss sustained by a predecessor company had been sustained by a successor company and as if the references to a trade included references to the trade as carried on by a predecessor company.

(5) (a) Where relief in respect of a company's losses has been restricted under this section, then,

notwithstanding section 320 (6), in applying the provisions of Part 9 and of Chapter 1 of Part 29 relating to balancing charges to the company by reference to any event after the change of ownership of the company, any allowance or deduction to be made in taxing the company's trade for any chargeable period before the change of ownership shall be disregarded unless the profits or gains of that chargeable period, or of any subsequent chargeable period before the change of ownership, were sufficient to give effect to the allowance or deduction.

(b) In applying this subsection, it shall be assumed that any profits or gains are applied in giving effect to any such allowance or deduction in preference to being set off against any loss which is not attributable to such an allowance or deduction.

(6) Where the operation of this section depends on circumstances or events at a time after the change of ownership (but not more than 3 years after that change), an assessment to give effect to this section shall not be out of time if made within 10 years from that time or the latest of those times.

(7) Schedule 9 shall apply for the purpose of supplementing this section.