

Relief for terminal loss in a trade. CTA76 s18(1) to (3) 397.—(1) (a) Where a company ceasing to carry on a trade has, in any accounting period falling wholly or partly within the previous 12 months, incurred a loss in the trade, the company may claim to set the loss off for the purposes of corporation tax against trading income from the trade in accounting periods falling wholly or partly within the 3 years preceding those 12 months (or within any shorter period throughout which the company has carried on the trade) and, subject to subsections (2) and (3) and to any relief for earlier losses, the trading income of any of those accounting periods shall then be treated as reduced by the amount of the loss, or by so much of that amount as cannot be relieved under this subsection against income of a later accounting period.

(b) Relief shall not be given under this subsection in respect of any loss in so far as the loss has been or can be otherwise taken into account so as to reduce or relieve any charge to tax.

(2) Where a loss is incurred in an accounting period falling partly outside the 12 months mentioned in subsection (1), relief shall be given under that subsection in respect of a part only of that loss proportionate to the part of the period falling within those 12 months, and the amount of the reduction which may be made under that subsection in the trading income of an accounting period falling partly outside the 3 years mentioned in that subsection shall not exceed a part of that income proportionate to the part of the period falling within those 3 years.

(3) Subsections (5) to (8) of section 396 shall apply for the purposes of this section as they apply for the purposes of section 396 (1), and relief shall not be given under this section in respect of a loss incurred in a trade so as to interfere with any relief under section 243 in respect of payments made wholly and exclusively for the purposes of that trade.