HMRC - CH82333 - Losses Available Corporation Tax Example

You must check the date from which these rules apply for the tax or duty you are dealing with. See You must check the date from which these rules apply for the tax or duty you are dealing with. See for full details.

Big Ltd, a company in a profitable group returns a trade loss of £10,000. It sets off £2,000 against its CT profits of the preceding period and surrenders £5,000 as Group Relief to Small Ltd, a fellow group company. The balance of £3,000 is carried forward for set off against expected future trade profits.

Big Ltd’s return is found to contain a careless inaccuracy. The true loss is £1,500. Big Ltd reduces its claim to set off the loss against its CT profits of the preceding period to £1,500 and withdraws the surrender of £5,000 as Group Relief.

It has not yet used the carried forward loss against its profits.

The potential lost revenue (PLR) for the careless inaccuracy, assuming liability at the small companies’ rate (say 21%) is

The original claim to Group Relief by Small Ltd was inaccurate as a result of the surrendering company’s incorrectly recorded loss. So we are not prevented from charging a penalty.

Previous page

Next page