HMRC - CH82345 - Example - Overstatement Of Losses Increases The Aggregate Loss

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](https://www.gov.uk/hmrc-internal-manuals/compliance-handbook/ch81011) for full details.

Company D, E, F and G are a group of companies.

Their returned results are

Company F’s return is found to contain a careless inaccuracy of £10,000. Its true loss is £190,000.

Company F must amend its Group Relief surrenders. Company F can and does withdraw its Group Relief surrender to Company E and makes a new surrender to Company E of £80,000.

Company G can and does withdraw its surrender to Company E and makes a new surrender to Company E of £80,000.

The inaccuracy has the effect of increasing the aggregate loss recorded for the group and the potential lost revenue (PLR) is calculated using the rules for losses, see CH82341.

The losses rules apply to the amount of Company F’s overstated loss.

None of the amount has been used to reduce the amount of tax payable. The unused loss rule applies to £10,000.

PLR for Company F’s penalty is 10,000 x 10% = 1,000.

If at the time the penalty is to be imposed Company G has used all or part of the excessive loss (£10,000) to reduce tax liability in another period, the PLR is the additional tax due and payable when that loss is withdrawn.

Previous page

Next page