HMRC - CH82370 - Losses Where There Is No Reasonable Prospect Of Use

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.

Whether or not there is a reasonable prospect of any part of a loss being used depends on the nature of the loss and the person’s circumstances.

You can use the following two step process to enable you to make a decision.

Step 1

Based on current circumstances, is there a legal or factual reason why the particular loss cannot ever be used?

If the answer is ‘yes’ then the potential lost revenue (PLR) for that unusable part of the wrongly recorded loss will be Nil.

If the answer to the question is ‘no’, consider Step 2.

Step 2

On a current assessment of future circumstances for this person, is there a reasonable prospect of the loss being used?

Having answered ‘no’ to Step 1, legally there will be a prospect that the loss can be used. The use of the word reasonable means you should take each person’s specific circumstances into account.

Wherever possible the circumstances in which the unused loss could be used should be explained to the person.

They should be invited to make representations if they consider that their future circumstances are such that there is no reasonable prospect of the loss being used to reduce liability.

You should take account of any representations by the person before reaching a decision.

For further guidance, see CH82371.

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