HMRC - CH82371 - Example - Losses - 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.

Unused wrongly recorded losses would normally be available to reduce liability arising on future income profits or gains, see CH82370.

The circumstances where the nature of the loss means there is no reasonable prospect of the loss being used will be limited.

For example

A person will expect to make future profits in their trade and any unused trading loss will be set against those profits. There may, however, be no reasonable prospect of the loss being used if the trade has ceased.

No further trading profits may arise and the trading loss cannot be set against any other sort of profits that may arise in future periods.

A capital loss is normally available to reduce any future chargeable gains arising during a person’s lifetime. However, some types of capital losses can only be set against certain types of chargeable gains and there may be circumstances where there is no reasonable prospect that such gains will arise. There is thus no reasonable prospect of the loss being used.

You should not regard the loss as having no reasonable prospect of being used simply because the person currently has no source of income or gains that could produce a liability the loss could reduce. This decision will depend on the nature of the loss and the person’s individual circumstances.

Where a company is a member of a group of companies, you should take account of the group’s potential to reorganise its operations and structure to make effective future use of surplus reliefs arising within the group.

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