HMRC - CTM06110 - Without Change In Ownership - Effects

CTA10/S944 and S948

When the conditions of CTA10/S940B are satisfied there are modifications to the normal cessation and commencement treatment of:

capital allowances,

trading losses carried forward,

trading losses carried back,

Each of these is dealt with in turn below.

For all other purposes the normal cessation and commencement rules (see CTM02100) apply.

Capital allowances: CTA10/S948

CTA10/S948 deals with capital allowances. In the computations of both the predecessor and successor companies, the consideration given for the assets transferred with the trade or part-trade is ignored. The disposal value when the successor sells these assets is calculated as if the successor had always carried on the trade or part-trade inherited from the predecessor.

Guidance on the calculation of capital allowances for accounting periods in which the transfer takes place is at CA15400.

CTA10/S948 does not apply where the successor is a dual resident investing company. There is guidance on a dual resident investment company at CTM34620.

Trading losses carried forward: CTA10/S944

Any unused trading losses of the predecessor are allowed against the successor’s future income from the same trade or part-trade under CTA10/S45. The amount available is the loss that remains after:

any CTA10/S37 sideways or group relief claims in respect of the predecessor’s loss,

and

the application of the relevant liabilities restriction (CTM06250).

Guidance on how losses are identified and allowed where the successor has an existing trade and/or the part-trade rules apply is at CTM06120 and CTM06130.

Where a company transfers its trade to a partnership of companies of which it is a member it can:

carry forward its losses under CTA10/S45, and

set them against its share of the partnership profits.

The same applies where a company partner begins to carry on the trade alone.

(This content has been withheld because of exemptions in the Freedom of Information Act 2000)

Trading losses carried back: CTA10/S944(2)

CTA10/S944(2) disapplies the rule at CTA10/S39 which normally allows a carry back of up to three years on cessation. The usual 12 month carry back limit at CTA10/S37 therefore applies.

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