HMRC - CTM81565 - Groups: Group Relief: Surrendering Company Not UK Resident: Amount Of The Loss: UK Recomputation: Residence

ICTA88/SCH18A (12) & (13)

In order to quantify the loss eligible for relief, the foreign loss is to be recomputed in accordance with UK principles,

(CTM81560).

To enable the recomputation to be carried out, the extended rules require assumptions to be made about the surrendering company.

In the following paragraphs a reference to a ‘loss period’ is to be read as a reference to the period defined by the rules of the relevant European Economic Area (EEA) territory for which the EEA tax loss is computed. This could be a period of account, a tax return period or some other period where these are coincident.

Assumptions as to residence

It is assumed that the company:

is resident in the UK throughout the loss period; and

became UK resident from the beginning of the loss period.

Assumptions as to the place in which any trade is carried on

Any trade carried on by a company wholly outside the UK would fall to be assessed, for UK corporation tax purposes, under Case V of Schedule D. Any losses arising from such a trade would therefore be Case V losses and unavailable for surrender by way of group relief.

It is therefore assumed that:

any trade carried on in the loss period wholly or partly in the EEA territory concerned, is carried on wholly or partly in the UK. This enables the trade to be regarded as one to which Case I of Schedule D applies, so that losses in the trade may be surrendered.

any interest in land in the EEA territory relates to land in the UK, so that any losses are Schedule A losses and may be available for surrender by way of group relief.

Previous page

Next page