HMRC - CTM81575 - Groups: Group Relief: Surrendering Company Not UK Resident: Amount Of The Loss: UK Recomputation: Capital Allowances

ICTA88/SCH18A (15)

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 tobe made about the surrendering company. One of those assumptions relates to capital allowances.

The company may have incurred capital expenditure on plant or machinery for an activity before the beginning of the loss period, (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 an accounting period, a tax return period or some other period where these are coincident). In such circumstances, for the purposes of calculating capital allowancesand/or balancing charges, it is assumed that the plant or machinery:

was provided for purposes wholly other than those of the activity; and

was not brought into use for the purposes of the activity until the beginning of the loss period.

CAA01/S13 is applied, so the company is treated as having incurred capital expenditure on the plant or machinery at the beginning of the loss period.

The amount of the expenditure is as given by CAA01/S13, (CA23030).

Previous page

Next page