HMRC - CTM81590 - Groups: Group Relief: Surrendering Company Not UK Resident: Amount Of The Loss: Comparison Of UK And Overseas Loss

The recomputed amount available for relief: FA06/SCH1/PARA11

If certain conditions are met, a UK parent company (or a UK resident subsidiary of theUK parent company) may be able to claim to set an amount representing the foreign tax loss suffered by a subsidiary resident in another European Economic Area (EEA) territory against its profits.

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

The amount of loss to be relieved is the foreign loss recomputed in accordance with UK principles. However, where the amount recomputed under UK rules exceeds the eligible foreign loss the amount available for surrender by way of group relief cannot exceed the quantum of the eligible foreign loss. Such differences will arise, for example, because of timing differences in the recognition of income or expenditure, so will either be amounts that have already been relieved or could be relieved in future.

If the recomputation results in an amount of profits or surplus income then no amount may be surrendered as group relief.

If a non-resident company has more than one category of loss eligible for relief, then the comparison described above must be made in relation to each category of loss.

If the non-resident company had both trading losses and excess capital allowances eligible for group relief then the UK and foreign amounts in each category would need to be compared to ascertain the amount that could actually be surrendered against UK profits.

There are examples at CTM81625.

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