HMRC - OT21055 - Losses Carried Forward

Under CTA10\S45, where a company incurs a loss in a trade, that loss can be carried forward and allowed against subsequent income from the same trade.

Where a company carries on one world-wide petroliferous trade, but is deemed to have two separate trades under CTA10\S279 because of the ring fence, a non-ring fence loss can only be carried forward and allowed against subsequent non-ring fence income. Non-ring fence losses cannot be carried forward and allowed against ring fence profits of the same trade.

In principle, the same position arises for ring fence activities, but CTA10\S304 recognises the basic premise that there is no objection to ring fence losses being allowed against non-ring fence profits. UnderS304, ring fence losses incurred in an AP can be allowed under CTA10\S45 against future income from non-ring fence activities as long as the non-ring fence and ring fence activities comprise a single trade. It should be noted that relief is due whether or not the non-ring fence element was being carried on during the AP in which the loss in the ring fence trade was incurred.

Where losses are carried forward under CTA10\S939 (company reconstructions without a change of ownership), losses must continue to be segregated as above so that non-ring fence losses of the trade transferred are not allowed against ring fence profits of that trade.

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