HMRC - OT21065 - Extended Carry Back For General Decommissioning And Terminal Losses

CTA10\S42

CTA10\S42 allows carry back of general decommissioning losses and terminal losses against ring fence profits back to 17 April 2002. This extended loss carry back applies to losses incurred in APs beginning on or after 12 March 2008. See OT21066 for an example.

Conditions for Relief

To be eligible for relief under CTA10\42:

the company must make a claim under CTA10\S37,

either a terminal loss under CTA10\S39,

or general decommissioning relief under CTA10\S40

the ring fence loss that can be relieved under CTA10\S37 ( ‘L’ ) exceeds the profits against which those losses can be set under S37 (‘P’).

No separate claim is required for this extended loss relief. Relief for general decommissioning expenditure was introduced by FA08\S109. It is an extension of what was, before 12 March 2008, known as ‘abandonment’ relief, available under CAA01\S164.

Extent of carry back

The losses can be set against ring fence profits of AP’s that end on or after 17 April 2002 and which fall wholly or partly before the beginning of the three year set off period.

Amount of relief

The total amount of relief available against ring fence profits of AP’s before the three year set off period is restricted to the excess of L over P. In relieving the ring fence profits of earlier APs, profits of later APs are relieved before profits of earlier AP’s. If an AP straddles the beginning of the three year set off period:

its ring fence profits are apportioned on a time basis, and

relief under CTA10\S42 is available only for the profits falling before the beginning of the three year set off period.

If an AP straddles 17 April 2002:

its profits are apportioned on a time basis, and

relief is available only for the profits falling within the period after 16 April 2002.

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