HMRC - OT21071 - Expenses Of Management - Transitional Provisions

CTA09\S1219, CTA10\S303

The restriction on deducting expenses of management in computing ring fence profits applies to APs ending on or after 12 March 2008. Special rules apply to expenses referable to a company’s ‘straddling period’. This is the AP which begins before 12 March 2008 and ends on or after that date.

Relief is available against ring fence profits for a time-apportioned fraction of the expenses of management referable to the straddling period. The amount that can be deducted against ring fence profits is subject to an upper limit of the amount of expenses referable to the straddling period that have been paid on or before 11 March 2008. This effectively rules out amounts debited in accounts of the straddling period that relate to provisions.

Time apportionment is by reference to the number of days in the straddling AP that fall on or before 11 March 2008 compared to the total number of days in the straddling AP. For example, Company B has a 12 month AP ending on 31 December 2008. As 2008 is a leap year, the relevant fraction is (31 + 29 + 11)/366 = 71/366.

Transitional rules on the introduction of FA04 changes to S75 are in CTM08010.

Previous page

Next page