HMRC - OT21076 - The Treatment Of Repayments Of PRT Arising From The Carry Back Of PRT Losses

CTA10\S301

PRT is an allowable deduction in arriving at taxable ring fence profits (see OT21075). When PRT losses arise the legislation provides for them to be carried back to earlier chargeable periods (see OT16000).

Where a deduction has been allowed in the CT ring fence computation for a PRT payment any repayment that arises from the carry back of the PRT loss (subject to the special rules, the “interest cap” - see OT16600) is treated as ring fence trading income (CTA10\S301).

The repayment is treated as income of the accounting period in or at the end of which the operative chargeable period ends. The operative chargeable period is the chargeable period in which the loss accrued. If the ring fence trade ceases before the end of the accounting period the repayment is treated as trading income of the final trading accounting period (CTA10\S301(7)).

Where a PRT repayment arises from losses accruing in different chargeable periods the repayment is apportioned on the assumption that relief is given for the loss of an earlier period before that of a later period (CTA10\S301(5)).

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