HMRC - OT21219 - The Supplementary Charge - No Supplementary Charge Losses Or Adjusted Ring Fence Losses

There is no statutory supplementary charge loss or adjusted ring fence loss that can be determined and relieved as a trading loss.

The supplementary charge is an annual impost on top of the annual corporation tax charge. The supplementary charge is a charging mechanism for individual accounting periods and although it is charged on a company as if it were an amount of corporation tax (see OT21202), the supplementary charge is not itself corporation tax. The supplementary charge is charged on adjusted ring fence profits (OT21204).

As the supplementary charge is not corporation tax adjusted ring fence profits do not fall to be included in the total profits of the company that are subject to Corporation tax.

ICTA88\S393(7) provides that a loss incurred in a trade in an accounting period is to be computed in that period in the same way as trading income from the trade in that period would have been computed (CTM04005). ICTA88\S393(8) says that trading income is the income which falls or would fall to be included in respect of the trade in the total profits of the company. These profits of the company are the profits subject to Corporation Tax.

As a loss must be computed in the same way as a profit, and adjusted ring fence profits are not part of the total profits of a company that are subject to corporation tax, it follows that where there is a negative amount when calculating adjusted ring fence profits, this is not a trading loss incurred in the carrying on of a trade.

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