HMRC - OT26165 - Ring Fence Loss - The Special Rule For Straddling Periods

CTA2010\S324

This rule is set out in CTA2010\S324 and determines the ring fence loss where a company has an accounting period that straddles 1 January 2006.

The straddling period is divided into two parts; one which runs from the start of the straddling period to 31 December 2005, and the second, referred to as the ‘deemed accounting period’, which runs from 1 January 2006 to the end of the straddling period.

Step 1

Calculate so much of the ring fence loss in the straddling period as is attributable to the qualifying E&A allowances for the straddling period. This is the ICTA88 qualifying Schedule 19B amount.

Step 2

Calculate so much of the ring fence loss in the straddling period as is attributable to the allowances for the straddling period in respect of the relevant expenditure.

Relevant expenditure is the expenditure incurred by the company on or after 1st January 2006 that but for that fact would be qualifying expenditure for the purpose of Schedule 19B. A ring fence loss is attributable to those allowances to the extent that the loss (less the qualifying Schedule 19B amount) does not exceed the amount of those allowances for the period. The amount given by this step is the amount of post-1st January E&A allowances.

Step 3

Deduct the qualifying Schedule 19B amount and the amount of the post-1 January 2006 E&A allowances from the ring fence loss in the straddling period. The amount given by this step is the amount of the apportioned loss.

The amount of the ring fence loss in the deemed accounting period is the amount of the apportioned loss plus the amount of post-1st January E&A allowances.

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