

Finance Act, 2008

Section 111 - Losses: set off against profits of earlier accounting periods

1) In ICTA, after section 393A insert- "393B Losses of ring fence trade: set off against profits of an earlier accounting period (1) This section applies if these conditions are met- (a) a company makes a claim under section 393A(1) requiring that a loss incurred in a ring fence trade be set off against profits; (b) section 393A(2A) applies in relation to that claim (three year set off period) by virtue of- (i) section 393A(2B) (loss precedes cessation of trade), or (ii) section 393A(2C) (loss arises in year when general decommissioning expenditure incurred); and (c) the loss incurred in the ring fence trade that may be set off under section 393A ("L") exceeds the profits against which L may be set off under section 393A ("P"). (2) The profits of the ring fence trade of an accounting period are to be relieved under subsection (3) if that period- (a) falls wholly or partly before the three year set off period, and (b) ends on or after 17 April 2002. (3) Subject to any relief for an earlier loss, those profits of that accounting period shall be treated as reduced by- (a) the amount by which L exceeds P, or (b) so much of that amount as cannot be relieved under this subsection against profits of the ring fence trade of a later accounting period. (4) Subsection (3) is subject to subsection (5) in the case of an accounting period that falls partly (but not wholly) before the three year set off period. (5) The amount of the reduction of the profits of the ring fence trade that may be made under subsection (3) shall not exceed a part of those profits proportionate to the part of the accounting period that falls before the three year set off period. (6) Subsection (3) is subject to subsection (7) in the case of an accounting period that begins before 17 April 2002 and ends on or after that date. (7) The amount of the reduction of the profits of the ring fence trade that may be made under subsection (3) shall not exceed a part of those profits proportionate to the part of the accounting period that falls after 16 April 2002. (8) In this section- "ring fence" has the same meaning as in section 162 of the Capital Allowances Act; "three year set off period" means the period of three years that applies to the claim under section 393A(1) by virtue of section 393A(2A) and section 393A(2B) or (2C)." (2) Schedule 35 contains minor and consequential amendments relating to the amendments made by this section. (3) The amendments made by this section and that Schedule have effect in relation to losses incurred in accounting periods beginning on or after 12 March 2008.