Carried forward corporation tax losses: compliance requirements

Large Corporate **Management of taxes** **OMB**

01 December 2018

HMRC have responded to requests by the ATT and CIOT for more guidance on compliance obligations which apply to all companies (regardless of size) looking to set off carried forward losses from April 2017.

New restrictions on the amount of brought forward corporation tax losses which can be offset in any one year took effect from 1 April 2017. The availability of a £5m per annum deductions allowance before losses are restricted means that only the largest companies and groups should suffer a restriction in practice. However, as set out in November's Technical Newsdesk the restriction rules introduce new compliance obligations for companies and groups of all sizes. These requirements apply regardless of the size of the company and must be complied with even if the company will not suffer any restriction (for example because its brought forward losses are well below £5m).

Until recently, limited guidance had been issued to highlight the requirements and identify how the required information should be supplied to HMRC. In particular, the CT600 does not have a dedicated box or white space area to state the required deduction allowances or submit the information required in the group allowance allocation statement.

The ATT and CIOT were therefore concerned that, given the perception that the restriction rules are only an issue for the largest companies and groups, many companies could unwittingly fail to comply with these compliance requirements which could lead to their ability to offset losses being restricted.

Both bodies therefore wrote to HMRC to ask for more guidance for affected companies. The ATT letter can be found on the ATT website and the CIOT letter on the CIOT website.

In their response to the ATT and CIOT, HMRC confirm that the requirements will be met provided companies include a clear summary of the required information in the corporation tax computation accompanying their return form. For groups, HMRC also confirm that the nominated company can submit the group allowance allocation statement in PDF format alongside their return.
As requested, HMRC have taken steps to publicise the compliance requirements and make it absolutely clear how these can be met. Draft guidance has been published on GOV.UK setting out the administrative requirements for the deductions allowance. This draft guidance includes a template for the group allowance allocation statement. We hope that in due course this template will be available to download from the Company Taxation manual.

In addition, HMRC have implemented the CIOT and ATT's suggestion that the Company Losses toolkit be updated – this now has specific questions which prompt companies to check that they have stated the necessary deductions allowances and, if they are a member of a group, that a group allocation statement has been submitted.

HMRC have said that they will also update the CT600 notes and the main loss relief guidance (currently in draft form on GOV.UK) when it is transferred to the Company Taxation manual later in 2018.