

---

## **CORPORATION TAX: AGREEMENTS TO FORGO TAX RELIEFS**

---

### **Who is likely to be affected?**

1. Groups of companies that enter into agreements with the Treasury or another Government Department or agency to surrender their rights to certain tax losses or other reliefs in connection with arrangements such as the Asset Protection Scheme.

### **General description of the measure**

2. Legislation will be introduced in Finance Bill 2009 to ensure that provisions of the Corporation Tax Acts do not override an undertaking by a company to surrender its rights to tax losses and other reliefs given in connection with the Government's Asset Protection Scheme, or similar arrangements designated by the Treasury.

### **Operative date**

3. The legislation will apply to qualifying arrangements entered into on or after 22 April 2009.

### **Current law and proposed revisions**

4. The Corporation Tax Acts provide that certain reliefs for losses and other allowances are given automatically, for example by deduction from income in a later period, without the need for a claim. For example, losses incurred in a trade in one accounting period are, in the absence of any other claim, automatically carried forward to the next period, and will reduce the amount of profit that is taxable in that later period, by virtue of section 393(1) of the Income and Corporation Taxes Act 1988.
5. The new legislation will ensure provisions that grant such automatic reliefs from tax can be switched off in circumstances where a person has undertaken to forgo these tax reliefs in connection with schemes that provide taxpayer support. The legislation will also ensure that there is no tax relief for any expense or loss representing the amount of, or rights to, reliefs forgone under the arrangements.

## **Further advice**

6. If you have any questions about this change, please contact Philip Donlan on 020 7147 2633 (email: [philip.donlan@hmrc.gsi.gov.uk](mailto:philip.donlan@hmrc.gsi.gov.uk)) or Aidan Reilly on 020 7147 2575 (email: [aidan.reilly@hmrc.gsi.gov.uk](mailto:aidan.reilly@hmrc.gsi.gov.uk)). Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)