

# 2008 Pre-Budget Report



PBRN03

24 November 2008

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## EXTENSION OF TRADING LOSS CARRY BACK FOR BUSINESS

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### Who is likely to be affected?

1. All companies and unincorporated businesses making losses from carrying on trades, professions or vocations (referred to below as trading losses).

### General description of the measure

2. This measure extends the ability of businesses to carry trading losses back against profits of earlier years to get a repayment of tax.

### Operative date

3. The measure will have effect for company accounting periods ending in the period 24 November 2008 to 23 November 2009. For unincorporated businesses, the measure will have effect in relation to trading losses for tax year 2008-09.

### Current law and proposed revisions

4. Under current rules businesses already have a number of mechanisms to ensure tax from profitable years is repaid through set-off against losses that arise in subsequent periods when times are harder.
5. Firstly, businesses can offset unlimited trading losses against profits in the preceding year and thereby reclaim tax previously paid. Secondly, start-up unincorporated businesses in the early years of operation can carry trading losses back for three years. Thirdly, any business ceasing to trade can also carry trading losses back for three years and lastly, ongoing trading losses can be offset against profits in future years.
6. The proposed revision will apply for one year and will extend the period that current trading losses from businesses can be carried back against previous profits, from the current one year entitlement to a period of three years, with losses being carried back against later years first.

7. The amount of losses that can be carried back to the preceding year remains unlimited. After carry back to the preceding year, a maximum of £50,000 of the balance of unused losses is then available for carry back to the earlier two years.
8. A company may make a loss relief claim under the new rules when it makes its return for an accounting period ending in the period 24 November 2008 to 23 November 2009. Unincorporated businesses may make a loss claim under the new rules as soon as they have calculated their losses for their basis period for tax year 2008-09. HMRC will make repayments arising from loss relief claims received under the new rules on or after Budget Day 2009.

### **Further advice**

9. A Technical Note with more details of this measure has been published today on the HM Revenue & Customs website.
10. If you have any questions about this change, please contact Simon Moulden on 020 7147 2629 (email: [simon.moulden@hmrc.gsi.gov.uk](mailto:simon.moulden@hmrc.gsi.gov.uk)) for incorporated businesses or Mark Anderson on 020 7147 2621 (email: [mark.anderson@hmrc.gsi.gov.uk](mailto:mark.anderson@hmrc.gsi.gov.uk)) for unincorporated businesses. Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)