Paper CC/SC (08) 04

Bill 6: Relief against income for losses on the disposal of shares

Summary

1. This paper presents draft clauses which rewrite sections 573 to 576L of ICTA.

2. These provisions provide that, if an investment company incurs an allowable loss for the purposes of corporation tax on chargeable gains on the disposal of ordinary shares in a qualifying trading company for which it has subscribed, it may claim to set off the loss against its income for corporation tax purposes.

3. The paper contains:

- the draft clauses, with origins;
- draft explanatory notes; and
- draft notes outlining twelve proposed changes in the law.

4. The clauses are the corporation tax counterpart to the income tax provisions rewritten in Chapter 6 of Part 4 of ITA 2007.

5. The draft clauses and the proposed changes now presented complete the rewrite process. The clauses largely replicate the income tax provisions in Chapter 6 of Part 4 of ITA 2007, but there are some differences. Similarly most of the changes replicate changes which were proposed for income tax purposes, but there are some differences.

6. First, where necessary the draft clauses use terminology specific to corporation tax where Chapter 6 of Part 4 of ITA 2007 uses terminology specific to income tax.

7. Second, the twelve proposed changes do not include ones which were relevant for income tax only, but they do include a new one and one (Change 639) which, although similar to Change 29 in Annex 1 to the explanatory notes to ITA 2007, reflects the differing identification rules for the purposes of corporation tax on chargeable gains. The new change (Change 647) omits material from the definition of "investment company" in section 130 of ICTA as applied for the purposes of share loss relief in this Bill and in Chapter 6 of Part 4 of ITA 2007.

Questions for the committee

8. We would be grateful for any comments you may have on these draft clauses and also on the proposed Changes 639 and 647.

9. As the other proposed changes replicate those made when the provisions were rewritten for income tax purposes, they have therefore already been consulted on and scrutinised by the Joint Committee as the Income Tax Bill was being considered by

Parliament. If there are nonetheless any comments on these proposed changes we should be grateful to have them.

Closing date for comments

10. We would welcome any comments by 18 April 2008. If possible, they should be sent by e-mail to:

jackie.bartlett@hmrc.gsi.gov.uk

Written comments should be sent to:

Jackie Bartlett
Room 826, South West Wing
Bush House
London
WC2B 4RD

11. Please note that the names of respondents may be published unless they ask for their comments to be treated in confidence.

9 January 2008