

## Examples

1)  
The following examples have been presented by HMRC in their consultation document and reproduced below to illustrate the impact of the proposed restrictions.

Company A has:

CY profit £8m (of which trading profit: £6m, non-trading profit: £2m)  
CY NTLR deficit £800k  
Pre 01/04/17 c/f trading losses £10m  
Pre 01/04/17 NTLR deficit £900k  
Post 01/04/17 property loss £750k

The proportion of trading to non-trading profit is  $\frac{3}{4}$  trading,  $\frac{1}{4}$  non-trading.

Company A	Trading profit	Non-trading profit	Total
Profit	6,000,000	2,000,000	8,000,000
Proportion	$\frac{3}{4}$	$\frac{1}{4}$	
Allocate CY NTLR deficit in the same proportion	600,000	200,000	800,000
Relevant total profits	5,400,000	1,800,000	7,200,000
5m allowance*	(5,000,000)	-	(5,000,000)
Excess over 5m allowance to be restricted	400,000	1,800,000	2,200,000
b/f loss relief restricted to 50% of profits remaining after 5m band	200,000	900,000	1,100,000

Out of the 10m trading losses carried forward from prior periods the company relieved 5.2m (5m as part of the 5m allowance and an additional 200k, rather than the full 400k of losses left. The company will be expected to pay corporation tax on the remaining 200k of profit. Full 900k of NTLR deficits carried forward from prior periods was relieved. There are insufficient profits to relieve any of the post 01/04/17 property loss. The company will carry forward 200k of trading loss (pre-2017) and 750k of property losses (post-2017).

2)

Companies B and C are in a group

Company B:

CY profit £15m (of which trading profit: £10m, non-trading profit: £5m)  
Pre 01/04/17 c/f trading losses £10m  
Pre 01/04/17 NTLR deficit £7k

Company C:

CY trading loss £22m, of which £10m to be surrendered to Company B

Company B	Trading profit	Non-trading profit	Total
Profit	10,000,000	5,000,000	15,000,000
Proportion	$\frac{2}{3}$	$\frac{1}{3}$	
Allocate CY loss surrendered from group (co C)	(6,670,000)	(3,330,000)	(10,000,000)
Relevant total profits	3,330,000	1,670,000	5,000,000
5m allowance*	(3,330,000)	(1,670,000)	(5,000,000)
Excess over 5m allowance to be restricted	NIL	NIL	NIL
No profits left to restrict	NIL	NIL	NIL

Company B has no excess profits over 5m to restrict. After the group relief, its trading and non-trading profits are available to relieve its own trading and non-trading losses. Out of the 10m trading loss, 3.33m

is relieved with 6.67m remaining to be carried forward, out of the 7m NLTR deficit, 1.67m is relieved with 5.33m remaining to be carried forward.

Company C has relieved 10m of its 22m loss, with 12m remaining to be carried forward.