

Extended loss carry-back for unincorporated businesses (Lecture B1273 – 12.26 minutes)

Price, who has been a self-employed consultant for several years, found that the fortunes of his business dropped sharply when the COVID-19 pandemic arrived. His recent adjusted trading results have been:

	£
Year ended 31 March 2021	(160,000)
Year ended 31 March 2020	48,000
Year ended 31 March 2019	72,000
Year ended 31 March 2018	55,000

Price's other income for the last four years was:

	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>
	£	£	£	£
Property	9,000	9,000	8,500	8,500
Dividends	4,600	6,000	7,400	6,100

Because Price's trading loss arose in 2020/21, he decided not to make a sideways claim under S64 ITA 2007 for that year, given that he could utilise his personal allowance (£12,500) and his dividend tax allowance (£2,000) against his other income. However, he made a S64 ITA 2007 claim against his total income for 2019/20.

Price falls into Para 1 Sch 2 FB 2021, in view of the fact that he has:

- (i) made a loss in 2020/21; and
- (ii) satisfied condition A.

His tax position for 2020/21 and 2019/20 is:

<u>2020/21</u>	£	<u>Loss</u> £
Trading	–	(160,000)
Property	9,000	
Dividends	<u>4,600</u>	
	<u>13,600</u>	
<u>2019/20</u>	£	£
Loss b/f		160,000
Trading	48,000	
Property	9,000	
Dividends	<u>6,000</u>	
	63,000	
Less:		
S64 ITA 2007 relief	<u>(63,000)</u>	<u>63,000</u>
	<u>£Nil</u>	
DEDUCTIBLE AMOUNT		<u>(97,000)</u>

Price has a deductible amount of £97,000 which can be carried back under the extended loss relief regime to 2018/19 and then to 2017/18. However, it is only set against his trading profits (and not his total income) for those two earlier tax years.

2018/19

<u>Loss</u>	£	£
Loss available		(97,000)
Trading	72,000	
Less: Para 1 Sch 2 FB 2021 relief	<u>(72,000)</u>	<u>72,000</u>
		—
Property	8,500	
Dividends	<u>7,400</u>	
	<u>15,900</u>	<u>(25,000)</u>

2017/18

	£	£
Loss available		(25,000)
Trading	55,000	
Less: Para 1 Sch 2 FB 2021 relief	<u>(25,000)</u>	<u>25,000</u>
	30,000	
Property	8,500	
Dividends	<u>6,100</u>	
	<u>44,600</u>	
No loss remaining for carry forward.		<u>Nil</u>

Note: The extended loss relief rules produce a satisfactory result for Price.

For 2018/19, his personal allowance (£11,850) and his dividend tax allowance (£2,000) will cover most of his income so that he will only have a small residual tax charge of 7.5%.

For 2017/18, his personal allowance (£11,500) and his dividend tax allowance (£5,000) will ensure that he is a basic rate taxpayer for that tax year. Price must make his claim under Para 1 Sch 2 FB 2021 by 31 January 2023.

Contributed by Robert Jamieson