



## Accelerate Tax Relief for Covid-19 Corporation Tax Losses

Companies which have a loss making Accounting Period (“AP2”) following a profit making Accounting Period (“AP1”), are able to utilise tax losses arising in AP2 by carrying them back and offsetting them against the profits of AP1, allowing for a refund of Corporation Tax paid in respect of AP1.

Normally, it is necessary for both the accounts and tax return for AP2 to be completed, before a loss carry back claim can be made, which typically will not be until a significant amount of time after the Corporation Tax in respect of AP1 has been paid (whether this is under instalment payments or paid 9 months and 1 day after the accounting period end).

However, HMRC has recently updated its guidance, allowing for loss carry back claims to be made in respect of anticipated losses arising in a second accounting period (“AP2”) which has not even finished yet. Prior to this change in stance by HMRC, accelerating loss carry back relief would have been more convoluted and often required a change to the company’s accounting period.

This means that normally profitable companies, which are anticipating to make losses in 2020 due to the unprecedented impact of COVID-19, may be in a position to reduce their tax 2019 Corporation tax bills, by accelerating the utilisation of their expected losses 2020 (AP2) losses. Accelerated claims will need to be supported by management accounts and forecasts, to substantiate the anticipated losses.

This could mean a cash refund in respect of 2019 tax already paid, or a reduction in 2019 tax due where it has not been paid yet – providing a valuable cash flow advantage in these challenging and uncertain times.

### How we can assist:

Rawlinson & Hunter can assist you in preparing the required management accounts and forecasts to support an accelerated claim for a loss carry back. We can also liaise with HMRC to track the status of the refund and manage you and HMRC through this process.

If you are interested in discussing whether an accelerated loss carry back claim is a possibility for your company, then please contact your usual Rawlinson & Hunter advisor, or any of those listed on the following page.

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# BUSINESS TAX ALERT

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