



---

---

## **PRACTICE NOTE**

---

---

**PN 12/87**

**Date: 14<sup>th</sup> April 1987**

### **1987/88 Budget**

In the Treasury Ministers speech reference was made to Regulations relating to LOSS RELIEF and CAPITAL ALLOWANCES The following notes are intended as a guide to the provisions likely to be introduced: loss relief regulations will be effective from 6th April 1987 whilst capital allowance regulations are planned for 6th April 1988.

#### **Loss Relief**

For many years the losses provisions contained in Section 28, Income Tax Act, 1970 provided the only relief available. The scope was widened by the 1980 Income Tax Act which introduced the principles of Group Relief. The new regulations provided for by Section 4, Income Tax (Amendment) Act, 1986 are intended to extend the scope even further, the main areas being:

1. Ability to utilise a trading loss against general income either in the year of loss or the following year;
2. For a married couple it will be possible to limit the relief by reference to the income of the person sustaining the loss;
3. The extension of the right of set-off to capital allowances will continue but with certain restrictions on leasing activities;
4. To assist persons in setting-up new trades, relief will be available for revenue expenditure incurred prior to the commencement of trading;
5. On a continuing theme it will be possible for individuals incurring losses in the early years of trading to have those losses set back against income assessed prior to the commencement of trading;
6. For concerns which have not been successful in their final year of trading, terminal loss relief will enable losses to be carried back against the assessments of the three preceding years of assessment,
7. The carry forward of losses against subsequent profits will continue.

#### **Capital Allowances**

The United Kingdom structure of relief for allowable capital expenditure which for many years has been adopted by the Isle of Man is no longer considered appropriate. The UK Chancellors move to a more restrictive system of allowances does not coincide with the Islands wish to promote industrial and commercial activities. The format of the new

regulations has still to be decided. One point, however, has already been recognised and that is the need to bring the relief for "Tourist Premises" more into line with the allowances granted on expenditure on other allowable premises.

**IMPORTANT** - The eventual provisions may vary from those set out in this practice note - it is intended only as a guide to possible changes.