



Income Tax Act 2007

2007 CHAPTER 3

PART 4

LOSS RELIEF

CHAPTER 4

LOSSES FROM PROPERTY BUSINESSES

Property loss relief against general income

120 Deduction of property losses from general income

- (1) A person may make a claim for property loss relief against general income if—
 - (a) in a tax year (“the loss-making year”) the person makes a loss in a UK property business or overseas property business (whether carried on alone or in partnership), and
 - (b) the loss has a capital allowances connection or the business has a relevant agricultural connection.
- (2) The claim is for the applicable amount of the loss to be deducted in calculating the person's net income—
 - (a) for the loss-making year, or
 - (b) for the next tax year.

(See Step 2 of the calculation in section 23.)
- (3) The claim must specify the tax year for which the deduction is to be made.
- (4) But if the applicable amount of the loss is not deducted in full in giving effect to a claim for the specified tax year, the person may make a separate claim for property loss relief against general income for the other tax year.

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- (5) For this purpose “the other tax year” means the tax year which was not specified in the claim already made, but which could have been specified.
- (6) This section needs to be read with—
- (a) section 121 (how relief works),
 - (b) section 122 (meaning of “the applicable amount of the loss”),
 - (c) section 123 (meaning of “the loss has a capital allowances connection” and “the business has a relevant agricultural connection”), and
 - (d) section 124 (supplementary).
- [^{F1}(7) See also section 127A (no relief for tax-generated losses attributable to annual investment allowance) [^{F2}and section 127B (no relief for tax-generated agricultural expenses)][^{F3}and section 127BA (restriction of relief: cash basis)].]

Textual Amendments

- F1** S. 120(7) inserted (8.4.2010 with effect in accordance with s. 25(5)-(7) of the amending Act) by [Finance Act 2010 \(c. 13\), s. 25\(3\)](#)
- F2** Words in s. 120(7) inserted (17.7.2012) (with effect in accordance with s. 10(5)-(7) of the amending Act) by [Finance Act 2012 \(c. 14\), s. 10\(3\)](#)
- F3** Words in s. 120(7) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 62\(2\)](#)

121 How relief works

- (1) This subsection explains how the deductions are to be made.

The amount of the applicable amount of the loss to be deducted at any step is limited in accordance with [^{F4}sections 24A and 25(4) and (5)].

Step 1

Deduct the applicable amount of the loss in calculating the person's net income for the specified tax year.

Step 2

This step applies if the applicable amount of the loss has not been deducted in full and the person makes a separate claim for the other tax year.

Deduct the part of the applicable amount of the loss not deducted at Step 1 in calculating the person's net income for the other tax year.

Other relief

If the applicable amount of the loss has not been deducted in full at Steps 1 and 2, relief is given under section 118 for the part not so deducted.

- (2) There is a priority rule if—
- (a) a person makes a claim for property loss relief against general income (“the prior claim”) in respect of a loss made in a tax year,
 - (b) the prior claim specifies the next tax year as the one for which the deduction is to be made (“the relevant tax year”),

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- (c) the person makes another claim for property loss relief against general income in respect of a loss made in the relevant tax year, and
 - (d) that other claim also specifies the relevant tax year as the one for which the deduction is to be made.
- (3) The rule is that priority is given to making deductions under the prior claim.

Textual Amendments

- F4** Words in s. 121(1) substituted (with effect in accordance with Sch. 3 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 3 para. 2\(3\)\(c\)](#)

122 Meaning of “the applicable amount of the loss”

- (1) This section defines “the applicable amount of the loss” for the purposes of sections 120 and 121.
- (2) “The applicable amount of the loss” is—
- (a) the amount of the loss, or
 - (b) if less, the amount arising from the relevant connection (see subsections (3) to (5)).
- (3) If—
- (a) the loss has a capital allowances connection, but
 - (b) the business does not have a relevant agricultural connection,
- the amount arising from the relevant connection is the amount (“the net capital allowances”) by which the capital allowances exceed the charges under CAA 2001.
- (4) If—
- (a) the business has a relevant agricultural connection, but
 - (b) the loss does not have a capital allowances connection,
- the amount arising from the relevant connection is the amount of the allowable agricultural expenses.
- (5) If—
- (a) the loss has a capital allowances connection, and
 - (b) the business has a relevant agricultural connection,
- the amount arising from the relevant connection is the sum of the net capital allowances and the amount of the allowable agricultural expenses.

123 Meaning of “the loss has a capital allowances connection” and “the business has a relevant agricultural connection”

- (1) This section applies for the purposes of sections 120 and 122.
- (2) The loss has a capital allowances connection if, in calculating the loss—
- (a) the amount of the capital allowances treated as expenses of the business, exceeds
 - (b) the amount of any charges under CAA 2001 treated as receipts of the business.

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[^{F5}(2A) But any allowance under Part 2A of CAA 2001 (structures and buildings allowances) is to be ignored for the purposes of subsection (2).]

- (3) The business has a relevant agricultural connection if—
 - (a) the business is carried on in relation to land that consists of or includes an agricultural estate, and
 - (b) allowable agricultural expenses deducted in calculating the loss are attributable to the estate.
- (4) “Agricultural estate” means land—
 - (a) which is managed as one estate, and
 - (b) which consists of or includes land occupied wholly or mainly for purposes of husbandry.
- (5) “Allowable agricultural expenses”, in relation to an agricultural estate, means any expenses attributable to the estate which are deductible—
 - (a) in respect of maintenance, repairs, insurance or management of the estate, and
 - (b) otherwise than in respect of interest payable on a loan.
- (6) But expenses attributable to the parts of the estate used wholly for purposes other than those of husbandry are to be ignored.
- (7) And if parts of the estate are used both—
 - (a) for purposes of husbandry, and
 - (b) for other purposes,
 the expenses in respect of those parts are to be reduced so far as those parts are used for the other purposes.

Textual Amendments

- F5** [S. 123\(2A\)](#) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, 6

124 Supplementary

- (1) A claim for property loss relief against general income must be made on or before the first anniversary of the normal self-assessment filing date for the tax year specified in the claim.
- (2) If a loss has previously been carried forward under section 118, the claim must be accompanied by the amendments of any return made under—
 - (a) section 8 of TMA 1970, or
 - (b) section 8A of TMA 1970,
 that are necessary to give effect to section 118(5) (reducing the amount of the loss carried forward (if necessary, to nil)).

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)