

Application of Section 54 of the Finance Act 2002 to IFSC/Shannon certified companies

Tax certificates issued by the Minister for Finance under Section 445(2) and 446(2) of the Taxes Consolidation Act 1997 to IFSC/Shannon companies contain a condition restricting the offset of losses to the trading activities referred to in the certificate. The Department of Finance has confirmed that Section 54 of the Finance Act 2002 may be applied to these companies on the same basis as it applies to non-certified companies.

Section 54 modifies the ring fencing rules, which apply in relation to trading losses, charges on income and group relief. Previously, where such charges and losses were being set off in the accounting period in which they were incurred, they could only be offset against trading income other than income chargeable to tax at 25 per cent rate. In addition, charges and losses incurred in trading activities, the income from which is taxable at the 10 per cent rate of corporation tax could only be set off against income taxable at that rate. Section 54 provides that relief may be given for the unused charges and losses on a value basis. This means that corporation tax for the accounting period concerned may be reduced by an amount determined by applying to the unrelieved charges or losses, the corporation tax rate applicable to the activity in which they were incurred. For example a loss incurred in an activity in an accounting period, the income from which is taxable at 10 per cent rate, can be relieved by reducing corporation tax for the accounting period by 10 per cent of the loss.