

CORPORATION TAX ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Part 9: Leasing plant or machinery

Chapter 3: Sales of lessors: leasing business carried on by a company alone

Section 394: Consortium relationships

1200. This section defines the relationship between a company carrying on a business of leasing plant or machinery (“A”) and a principal company of A where A is owned, directly or indirectly, by a consortium and determines what constitutes a “relevant change” in that relationship for the purposes of section 392. It is based on paragraph 12 of Schedule 10 to FA 2006.
1201. This section applies if A is either owned by a consortium or is a qualifying 90% subsidiary of a company owned by the consortium (see *subsections (1)(b) and (5)(b)*).
1202. A company is only capable of being a principal company if it is not itself a 75% subsidiary of another company (see *subsections (1), (5) and (7)*).
1203. Each company which is a member of the consortium (“E”) is a principal company of A unless it is a qualifying 75% subsidiary of another company (see *subsection (1)*).
1204. If E is a 75% subsidiary of another company (“F”), then F is the principal company of A. But if F is a 75% subsidiary of another company (“G”), then G is the principal company of A. And so on.
1205. There is a “relevant change” in the relationship of A and a principal company on any day if E’s “ownership proportion” is less at the end of the day than it was at the start of the day (see *subsections (2), (6)(a) and (8)*).
1206. E’s ownership proportion is measured by reference to the lowest of E’s interest in the share capital of A, A’s profits available for distribution and A’s assets available on a winding up (see *subsection (3)*), except where A is a qualifying 90% subsidiary of a company owned by the consortium. In that case it is E’s interest in the company of which A is a qualifying 90% subsidiary which is measured (see *subsection (4)*).
1207. The term “ownership proportion” has been substituted for the term “relevant fraction” in paragraph 12 of Schedule 10 to FA 2006. Similarly “proportion” has been used in place of “percentage”. This change in language follows the change in language used in rewriting section 403C of ICTA (amount of relief in consortium cases) in this Act (see sections 143 and 144).
1208. If a company other than E is the principal company of A in relation to E’s membership of the consortium, there is also a “relevant change” in the relationship of A and the principal company if E ceases to be a qualifying 75% subsidiary of the other company or the chain of 75% qualifying subsidiaries between the other company and E is broken (see *subsections (6)(b) and (8)(b)*).