



Corporation Tax Act 2010

2010 CHAPTER 4

PART 5

GROUP RELIEF

CHAPTER 5

SUBSIDIARIES, GROUPS AND CONSORTIUMS

Introduction

150 Overview of Chapter

- (1) This Chapter explains how to determine if a company—
 - (a) is a 75% or 90% subsidiary of another company (see section 151),
 - (b) is a member of a group of companies (see section 152),
 - (c) is owned by a consortium (see section 153), or
 - (d) is a member of a consortium (see section 153).
- (2) Sections 154 to 156 qualify those explanations in cases involving transfers of companies.

Explanations of terms

151 Meaning of “75% subsidiary” and “90% subsidiary”

- (1) In this Part “75% subsidiary” and “90% subsidiary” are to be read in accordance with Chapter 3 of Part 24, but subject to subsections (2) to (4).
- (2) In applying the definition of “75% subsidiary” in section 1154(3), share capital of a registered industrial or provident society is to be treated as if it were ordinary share capital.

Status: This is the original version (as it was originally enacted).

- (3) If—
- (a) a company (“the shareholder”) directly owns shares in another company, and
 - (b) a profit on the sale of those shares would be a trading receipt of the shareholder,
- the shareholder is treated as not being the owner of those shares for the purpose of determining if any company is a 75% subsidiary of any other company.
- (4) If a company (“the subsidiary”) would, apart from this subsection, be treated as a 75% or 90% subsidiary of another company (“the parent”) at any time, the subsidiary is not to be so treated unless at that time the parent—
- (a) is beneficially entitled to at least 75% or 90% (as the case may be) of any profits available for distribution to equity holders of the subsidiary (see Chapter 6), and
 - (b) would be beneficially entitled to at least 75% or 90% (as the case may be) of any assets of the subsidiary available for distribution to such equity holders on a winding up (see Chapter 6).

152 Groups of companies

For the purposes of this Part two companies are members of the same group of companies if—

- (a) one is the 75% subsidiary of the other, or
- (b) both are 75% subsidiaries of a third company.

153 Companies owned by consortiums and members of consortiums

- (1) For the purposes of this Part a company is owned by a consortium if—
- (a) the company is not a 75% subsidiary of any company, and
 - (b) at least 75% of the company’s ordinary share capital is beneficially owned by other companies each of which beneficially owns at least 5% of that capital.
- (2) The other companies each owning at least 5% of the share capital are the members of the consortium for the purposes of this Part.
- (3) If—
- (a) a trading company is a 90% subsidiary of a holding company and is not a 75% subsidiary of any company apart from the holding company, and
 - (b) as a result of subsection (1), the holding company is owned by a consortium,
- then for the purposes of this Part the trading company is also owned by the consortium.

Arrangements for transfers of companies

154 Arrangements for transfer of member of group of companies etc

- (1) This section applies if, apart from this section, one company (“the first company”) and another company (“the second company”) would be members of the same group of companies.
- (2) For the purposes of this Part the companies are not members of the same group of companies if—

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- (a) one of the companies has surrenderable amounts for an accounting period (“the current period”), and
- (b) arrangements within subsection (3) are in place.

(3) Arrangements are within this subsection if they have any of the following effects.

Effect 1

At some time during or after the current period, the first company or any successor of it—

- (a) could cease to be a member of the same group of companies as the second company, and
- (b) could become a member of the same group of companies as a third company (see subsection (4)).

Effect 2

At some time during or after the current period a person (other than the first or second company) has or could obtain, or persons together (other than those companies) have or could obtain, control of the first company but not of the second company.

Effect 3

At some time during or after the current period, a third company could start to carry on the whole or a part of a trade that at a time during the current period is carried on by the first company and could do so—

- (a) as the successor of the first company, or
- (b) as the successor of another company which is not a third company and which started to carry on the whole or a part of the trade during or after the current period.

(4) A “third company” means a company that is not, apart from any arrangements within subsection (3), a member of the same group of companies as the first company.

155 Arrangements for transfer of company owned by consortium etc

- (1) This section applies if, apart from this section, a trading company would be owned by a consortium.
- (2) The trading company is not owned by the consortium if—
 - (a) for an accounting period (“the current period”) the trading company or a member of the consortium has surrenderable amounts, and
 - (b) arrangements within subsection (3) are in place.
- (3) Arrangements are within this subsection if they have any of the following effects.

Effect 1

The trading company or a successor of it could, at some time during or after the current period, become a 75% subsidiary of a third company (see subsection (4)).

Effect 2

Any person who owns, or any persons who together own, less than 50% of the ordinary share capital of the trading company—

- (a) has, or together have, control of the trading company, or
- (b) could obtain such control at some time during or after the current period.

Effect 3

Any person (“P”), either alone or together with persons connected with P—

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- (a) holds or could obtain at least 75% of the qualifying votes, or
- (b) controls or could control the exercise of at least 75% of those votes.

For this purpose—

“connected” is to be read in accordance with section 1122 but as if subsection (4) of that section were omitted, and

“qualifying votes” means the votes which may be cast in a poll taken at a general meeting of the trading company held during or after the current period.

Effect 4

A third company could start to carry on the whole or a part of a trade that at a time during the current period is carried on by the trading company and could do so—

- (a) as the successor of the trading company, or
- (b) as the successor of another company which is not a third company and which started to carry on the whole or a part of the trade during or after the current period.

- (4) A “third company” means a company that is not, apart from any arrangements within subsection (3), a member of the same group of companies as the trading company.
- (5) If the trading company would, apart from this section, be owned by a consortium as a result of section 153(3) (consortiums involving holding companies)—
 - (a) references in this section (apart from references under Effect 4) to the trading company are to be read as including references to the holding company concerned, and
 - (b) Effect 3 does not apply if P is that holding company.

156 Sections 154 and 155: supplementary

- (1) This section applies for the purposes of sections 154 and 155.
- (2) “Arrangements”—
 - (a) means arrangements of any kind (whether or not in writing), but
 - (b) does not include a power of a Minister of the Crown, the Scottish Ministers or a Northern Ireland department to give directions to a statutory body as to the disposal of assets belonging to the body or to a subsidiary of the body.
- (3) A company is the successor of another company if it carries on a trade which, in whole or in part, the other company used to carry on and the circumstances are such that—
 - (a) Chapter 1 of Part 22 (transfers of trade without a change of ownership) applies in relation to the companies as, respectively, the successor and the predecessor within the meaning of that Chapter, or
 - (b) the two companies are connected with each other in accordance with section 1122.