HMRC - CFM35110 - What Is Connection?

What is connection?

CTA09/S348 applies to loan relationships of companies where there is a connection, at any time in an accounting period, between

the debtor and the person standing in the position of creditor for the loan relationship, or

the creditor and the person standing in the position of debtor for the loan relationship.

Indirect connection

The phrase ‘standing in the position of creditor/debtor’ includes persons standing indirectly in that position, for example through a series of loans - see CFM35160.

In section 348 connection means ‘control’

CTA09/S466 applies for the purposes of establishing whether companies are connected. Under CTA09/S466 companies are connected where at any time in an accounting period

one of the companies controls the other, or

both are under common control.

‘Control’ excludes control by the Crown

However, companies are not connected where they are under the common control of the Crown, a Minister of the Crown, a government department, a Northern Ireland department, a foreign sovereign power, an international organisation, or under the common control of Scottish Ministers (S117 Scottish Act 1998).

CFM35120 has more on the meaning of ‘control’.

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