HMRC - CTM80195 - Groups: Date Of Arrangements

CTA10/S154

CTA10/S154 requires taking account of arrangements which take effect “at some time during or after the current period”. Following the decision in Shepherd v Law Land plc 63TC692 a group relationship, which would otherwise exist, is only broken while the arrangements are in existence. A group relationship is not broken, as had previously been thought, for the whole of any accounting period in which arrangements existed at any time.

(This content has been withheld because of exemptions in the Freedom of Information Act 2000)

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The apportionment rules of CTA10/S138 (CTM80210) apply where necessary, for example when arrangements:

come into existence, so that the transferred company leaves the old group,

are given effect to, so that the transferred company becomes a member of a new group, under its control.

Example

Company A owns all the ordinary share capital of Company B. Entitlements to profits and assets reflect ordinary share ownership. On 31 January 2012 Company A and Company C agree terms for the transfer of the shares in Company B to Company C, subject to contract. On 29 February 2012 Company A and Company B sign and complete an unconditional contract.

Arrangements come into existence on 31 January 2012, CTA10 /S154 applies and Company A and Company B cease to be members of the same group after that date. An overlapping period (for group relief purposes) comes to an end on 31 January 2012 (CTM80225). Company C acquires beneficial ownership on 1 March 2012, following the date of contract. See CTM06030 and J Sainsbury plc v O’Connor 64TC208 in relation to the meaning of beneficial ownership.

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