HMRC - CTM80680 - Example: Claim By Company Owned By A Consortium From A Company In The Same Group As A Member Of The Consortium

The consortium and group structure is as shown in the diagram at CTM80590.

The percentages shown in the diagram indicate beneficial ownership of ordinary share capital and you should assume that the arrangements rules (CTA10/Ss146A, 146B, and 155) do not apply.

The votes and entitlement to profits and assets on winding up follow the shareholdings shown (see CTA10/Ss151(4) for the 75%+ and 90%+ subsidiaries (CTM80535), and Ss143(3) and 144(3) for the ownership proportions of L and X in CH (CTM80540 and CTM80545)).

Apportionments are on a time basis (see CTM80260 for alternative methods).

Facts

CH is a holding company owned by members of a consortium L (60%) and X (40%). CH holds 90% of the ordinary share capital of CT1 a trading subsidiary. CT2 and CT3 are 100% trading subsidiaries of CH.

L owns 75% of the shares in S2. The other 25% are not held by any company in P’s group.

This part of the consortium and group structure has existed for many years.

All the companies except S2 draw up accounts to 31 December.

For accounting periods to 31 December 2010:

CT1 has profits of £40,000.

CT2 and CT3 each have losses of £3,000.

CH has neither profit nor loss.

S2 has losses of £19,000 for accounting period 12 months to 30 June 2011.

CT1 makes a consortium claim in respect of S2’s losses.

CTA10/S149(2) and (3) (CTM80585) applies because there is the potential for CT1 to make group claims in respect of CT2’s and CT3’s losses. It could claim £6,000 in total, £3,000 from each. So for the purposes of calculating the amount of consortium relief CT1 can claim, its total profits are £34,000 (£40,000 minus £6,000).

Procedure

The provisions about apportionment to overlapping periods (CTA10/Ss138 to 142 - CTM80215) interact with those about consortium shares (CTA10/S144 - CTM80545) and those about surrenders by group members CTA10/Ss133 and 145 - CTM80560. A restriction is also needed because the consortium company could claim make group claims from fellow group companies (CTA10/S149 - CTM80585).

The claim

CT1 can claim consortium relief from S2 because S2 is in the same group as the link company L. CTA10/S133 applies (CTM80550).

The overlapping period (CTM80225) is the six months ended 31 December 2010.

S2’s surrenderable amount for the accounting period ended 30 June 2011 is £19,000.

S2 has made no prior surrenders so its ‘unused part of the surrenderable amounts’ is the same as its ‘surrenderable amount for the overlapping period’ (CTM80230). It is:

CT1’s total profits for its accounting period to 31 December 2010 are £34,000 as above. CTA10/S144 (CTM80545), however, limits this to L’s share (‘ownership proportion’ CTA10/S145(3) - CTM80560) of CT1’s profits for the accounting period.

This is:

So CT1’s ‘unrelieved part of the claimant company’s available total profits’ is the same as its ‘available total profits for the overlapping period’ as it has made no prior claims; it is:

The amount that can be surrendered/claimed is the smaller of £9,500 and £9,180: £9,180.

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