HMRC - CTM80695 - Example: Restriction Where Group Claims Are Possible

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% subsidiary, P, (CTM80535), and Ss143(3) and 144(3) for the ownership proportions of B and Y in O (CTM80540 and CTM80545)).

The facts

O is a trading company owned by a consortium, and B (50%) and Y (50%) are members of a consortium.

O owns 75% of the ordinary shares in company P. P is not a company owned by a consortium (CTM80530), but is in a group relationship with O.

All companies make up their accounts for the year to 31 December 2011. In that period:

O has profits of £10,000.

P has trading losses of £5,000.

Y has substantial losses.

B has profits.

Procedure

Were it not for for CTA10/S149 (CTM80585), O could make a consortium claim for Y’s losses up to a maximum of Y’s share (‘ownership proportion’ CTM80545) of O’s profits (50% x £10,000 = £5,000). O could also claim group relief in respect of P’s loss. So effectively O would obtain relief to the extent of the whole of its profits, rather than an amount restricted in accordance with Y’s share of O’s profits.

Under the rules in CTA10/S149, O’s profits are restricted by the losses it could claim by way of group relief in respect of P’s losses, in order to arrive at the maximum consortium relief that O can claim in respect of Y’s losses.

The maximum consortium relief is therefore 50% x (£10,000 - £5,000) = £2,500.

Previous page

Next page