HMRC - CTM80696 - Example: Restriction Of Surrender Of Trade Losses Where Company Owned By Consortium Has Other Profits

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

The facts

M is a company owned by a consortium, and C (50%) and Z (50%) are members of a consortium.

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

M has incurred a trading loss of £10,000 and has chargeable gains of £5,000.

C has substantial profits.

Z has a loss.

Procedure

Were it not for CTA10/S147(3) (CTM80570), C could claim its half share (‘ownership proportion’ CTM80540) of M’s trading loss as consortium relief, leaving the balance available for a claim under CTA10/S37 by M. So C would effectively obtain relief for the whole of M’s (net) losses rather than for its 50% share.

Under the rules in CTA10/S147 (3), for the purposes of C’s consortium claim, M’s losses are restricted by any claim under CTA10/S37 that could be made to set them off against total profits.

C’s consortium claim is thus limited to 50% x (£10,000 - £5,000) = £2,500.

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