HMRC - CTM81515 - Groups: Group Relief: Surrendering Company Not UK Resident: Amount Of The Loss: The Equivalence Condition

ICTA88/S403F (2)(a) & ICTA88/SCH18A (2)

There are four conditions, which must be satisfied before a loss will be available for group relief in the UK, (CTM81510). The first of these is the equivalence condition.

The equivalence condition is that the loss for which relief is claimed must correspond to a loss of a kind that would be available for surrender by way of group relief by a company resident in the UK. Broadly speaking this means that had the amount been incurred or suffered in the UK then it would have resulted in an amount available for surrender by way of group relief.

It does not matter that a territory makes no distinction between trading and other types of activity or does not have a schedular system similar to that of the UK. This will not in itself prevent amounts meeting the equivalence condition.

For example:

a capital loss will not satisfy the equivalence condition, but a trading loss may do.

a territory may take a global approach to taxing business profits and may include interest payable for a purpose other than the trading activities of the company in a global business loss. Though the interest would not be equivalent to a trading loss, it might nevertheless meet the equivalence condition as an amount equivalent to a non- trading loan relationship deficit.

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