

COMPANY GROUPS

General

A company is a subsidiary of another company (the holding company) if the holding company holds more than half the shares or controls the subsidiary company. A holding company and all its subsidiaries and the subsidiaries of its subsidiaries constitute a group.

Each company in a group is a separate entity for Corporation Tax purposes. However, Tax law gives special treatment to groups of companies. UK resident and overseas residents companies can be in a group.

Two companies are associated if the companies are under the control of another or both are under the control of the same person or persons. Where companies are associated/in a group the upper and lower limits of determining the Corporation Tax rate are divided between the associated companies.

Reliefs

Where companies are in a 75% group i.e. where one company is a 75% subsidiary of another or both companies are 75% subsidiaries of a third company, special reliefs are available.

Where companies form a group, losses may be surrendered to other companies in the group which can relieve them against their own profits subject to Corporation Tax. The loss may be surrendered by any member company to another member of the same group provided they are UK resident. The loss must be specifically surrendered from one company to another. The companies must have corresponding accounting periods.

Certain reliefs from Capital Gains Tax also apply to groups. A 75% capital gains group applies where there is a parent company and a 75% subsidiary. Assets can be transferred between companies in the group at a nil gain nil loss. Assets can be transferred to take advantage of capital losses and lower tax rates. Roll over relief is available on a business group basis.

Where assets are transferred within a group they are deemed to be at a price which does not give rise to a gain or loss. Effectively the transferee company inherits the Capital Gains Tax basis of the original company. No claim is necessary. Where the acquiring company sells the asset outside the group capital gains/loss arises in the usual way.

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances.

This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken due care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.