



Corporation tax: simplifying link company requirements for consortium claims

Who is likely to be affected?

Groups who hold shares in a UK consortium company through a group company resident outside the UK.

General description of the measure

Currently, for corporation tax group relief to flow between a consortium and a group owning a share in that consortium, the company that is a member of both the group and consortium (the “link company”) must be located in the UK or the European Economic Area (EEA) and, if in the EEA, must meet other requirements.

This measure removes all requirements relating to the location of the “link company” so that relief may flow regardless of where the link company is based.

Policy objective

This measure makes the tax system simpler by removing any difference in treatment of consortium “link companies” based in the UK and other jurisdictions.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

This measure will have effect for consortium claims to group relief for accounting periods beginning on and after 10 December 2014.

Current law

Claim and surrender of group relief can currently be made between a company with a share in a consortium (the “member of the consortium”) and the consortium company (the “company owned by a consortium”). Relief is also extended to companies in the same group as the member of the consortium.

Section 133 Corporation Tax Act (CTA) 2010 sets out the requirements for a claim for group relief between a company owned by a consortium and a company in the same group as a member of the consortium. The section defines the company that is in both the group and the consortium as the “link company”.

Subsections 133(1)(g) and (2)(g) require that the “link company” must be in the UK or the EEA.

Subsections 133(5) to (8) contain additional requirements where the “link company” is in the EEA: all of the companies establishing the group relationship between the link company and the member of its group must also be within the EEA. If any of the intermediate companies are not in the EEA then group relief is not possible.

Section 134A CTA 2010 defines “established in the EEA” for the purposes of section 133.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to omit subsections 133(1)(g) and 133(2)(g), as well as subsections 133(5) to (8). This will remove the requirements relating to the location of the “link company” so that claims are possible under the conditions of section 133 regardless of the location of the “link company”.

Section 134A will be redundant, so this will be omitted.

References to the omitted sections will be removed from sections 129 and 130 of CTA 2010.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	negligible	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households, and families	This measure concerns incorporated businesses and has no direct impact on individuals or households. This measure concerns multinational groups of companies and acts as an easement of existing restrictions, so is not anticipated to have any impact on family formation, stability or breakdown.					
Equalities impact	This measure concerns the taxation of incorporated businesses, which have no protected characteristics in law. As such it is very unlikely that there will be any impact on equality.					
Impact on businesses including civil society organisations	This measure will simplify the process for inward investors entering a consortium to trade in the UK by removing all requirements relating to the location of the “link company”. This measure is expected to have a negligible impact on civil society organisations.					
Operational impact (£m) (HMRC or other)	This measure is not expected to have any significant operational impacts.					
Other impacts	<u>Small and micro business assessment</u> : this measure is expected to have a negligible impact on businesses, irrespective of their size. Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be subject to ongoing monitoring through information collected in tax returns.

Further advice

If you have any questions about this change, please contact James Konya on 03000 544 525 (email: james.konya@hmrc.gsi.gov.uk).

1 Group relief

- (1) In section 133 of CTA 2010 (claims for group relief: consortium conditions 2 and 3) –
 - (a) in subsection (1) –
 - (i) at the end of paragraph (e) insert “and”, and
 - (ii) omit paragraph (g) and the “and” before it,
 - (b) in subsection (2) –
 - (i) at the end of paragraph (e) insert “and”, and
 - (ii) omit paragraph (g) and the “and” before it, and
 - (c) omit subsections (5) to (8).
- (2) Accordingly –
 - (a) in section 129(2) of CTA 2010 for “134A” substitute “134”,
 - (b) in section 130(2) of that Act –
 - (i) in paragraph (c), for “and (3) to (8)” substitute “, (3) and (4)”, and
 - (ii) in paragraph (d), for “(8)” substitute “(4)”,
 - (c) section 134A of that Act is repealed, and
 - (d) in Schedule 6 to the Finance (No. 3) Act 2010, omit paragraphs 4(4) and 5.
- (3) The amendments made by this section have effect in relation to accounting periods beginning on or after 10 December 2014.

EXPLANATORY NOTE

GROUP RELIEF

SUMMARY

1. Clause [X] removes the requirements relating to the location of the link company in a consortium claim to group relief. The link company no longer needs to be in the UK or the European Economic Area (EEA), and there are no different requirements between a UK link company and one based in another jurisdiction. The changes will apply to accounting periods commencing on or after 10 December 2014.

DETAILS OF THE CLAUSE

2. Subsection (1) omits the requirements relating to the location of the link company.
3. Subsection (2) makes consequential amendments to reflect the omissions made by subsection 1.
4. Subsection (3) sets out the commencement for the change, allowing claims under the new conditions for accounting periods beginning on or after 10 December 2014.

BACKGROUND NOTE

5. This measure takes effect for consortium claims to group relief in accounting periods beginning on or after 10 December 2014.
6. For group relief to flow between a company owned by a consortium and a company in the same group as a member of the consortium, the current rules require that the link company be in the UK or the EEA, and where in the EEA but not the UK all intermediate companies between the claimant and surrendering companies must also be in the EEA. This creates a difference of treatment between UK link companies and those in the EEA or in other jurisdictions.
7. This measure seeks to remove that difference in treatment and simplify claims to group relief between a consortium and a group owning a share in that consortium by omitting the additional conditions where the link company is based in a jurisdiction other than the UK.
8. If you have any questions about this change, or comments on the legislation, please contact James Konya on 03000 544525 (email: james.konya@hmrc.gsi.gov.uk).