

CHAPTER 19

CONSORTIUM RELIEF

19.1 Consortium relief

Consortium Relief is a variation of group relief where losses of a consortium company can be transferred to consortium members and vice versa.

[CTA 2010, s.130](#)

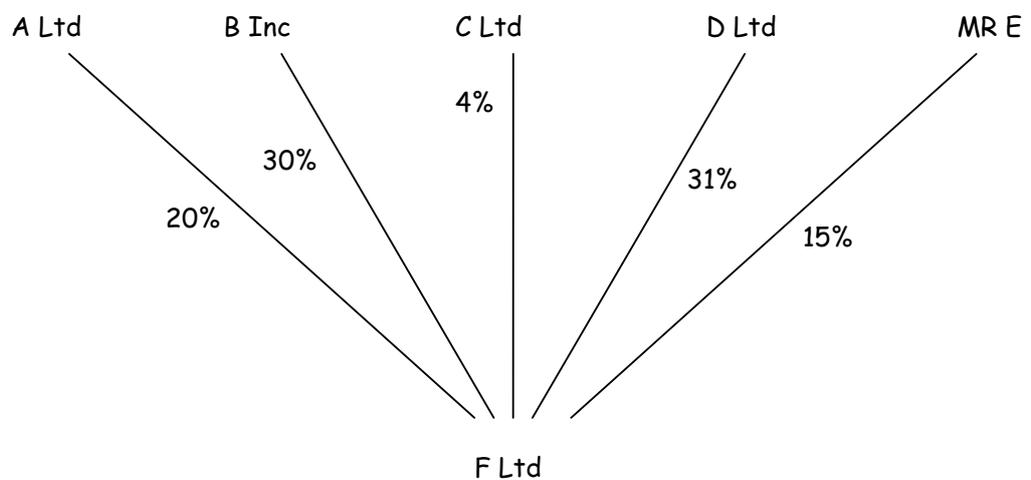
The transfer of losses will be in proportion to the consortium member's interest in the consortium.

A consortium company is a company, which is owned, to the extent of 75% by consortium members.

[CTA 2010, s.153](#)

Consortium members are companies owning at least 5% of the consortium company.

Illustration 1



F is a **consortium company**, as 81% of its shares are owned by other companies who each own at least 5%.

A is a **consortium member** because it owns at least 5%.

B Inc is also a **consortium member** but as B Inc is non-resident, no losses can be transferred to or from it. These rules are the same as for group relief.

C is **not a consortium member** because it owns less than 5%.

D is a **consortium member** because, again, it owns at least 5%.

Mr E is not a consortium member because he is not a company.

The effect of consortium relief is that a loss of F is available to UK resident consortium members. 20% of that loss could be transferred to A and 31% of that loss could be transferred to D. No losses can be transferred to B Inc because it is not resident. No loss can be transferred to C because it is not a consortium member and nor to Mr E because he is an individual.

19.2 Foreign companies

In the previous illustration, F is owned, to the extent of 51% by UK resident companies who each own at least 5%. However, to determine whether a consortium exists we include the shares owned by B Inc, even though B Inc cannot receive or surrender losses under the consortium relief rules.

Note that the amendments to the group relief rules as a result of the Marks & Spencer's case do not apply to consortium relief.

19.3 Available amounts

The maximum consortium relief which is available is the lower of:

- (i) The consortium company's loss multiplied by the consortium member's interest in that consortium; and
- (ii) The consortium member's available profit.

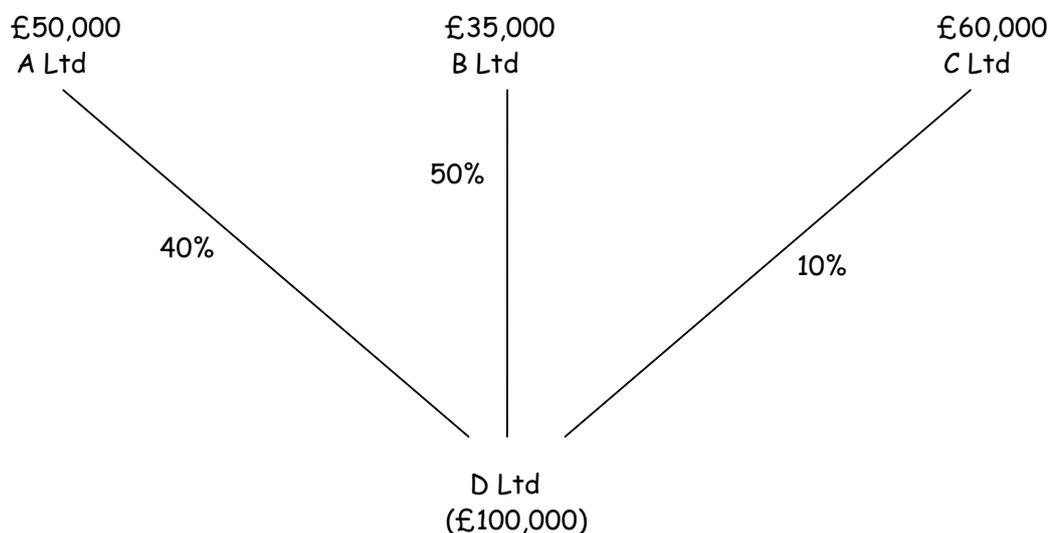
[CTA 2010, s.143](#)

[CTA 2010, s.144](#)

A consortium member's interest is taken as the lowest percentage of the following factors:

- (i) Ownership of ordinary share capital;
- (ii) Entitlement to profits available for distribution;
- (iii) Entitlement to assets on a winding-up.

Illustration 2



What is the maximum consortium relief between D Ltd and the consortium members A, B and C?

A will be entitled to 40% of D's loss, which is £40,000.

B will be entitled to 50% of D's loss, which is £50,000 but as B has only got profits of £35,000, the amount of the Consortium Relief claim will be restricted to £35,000.

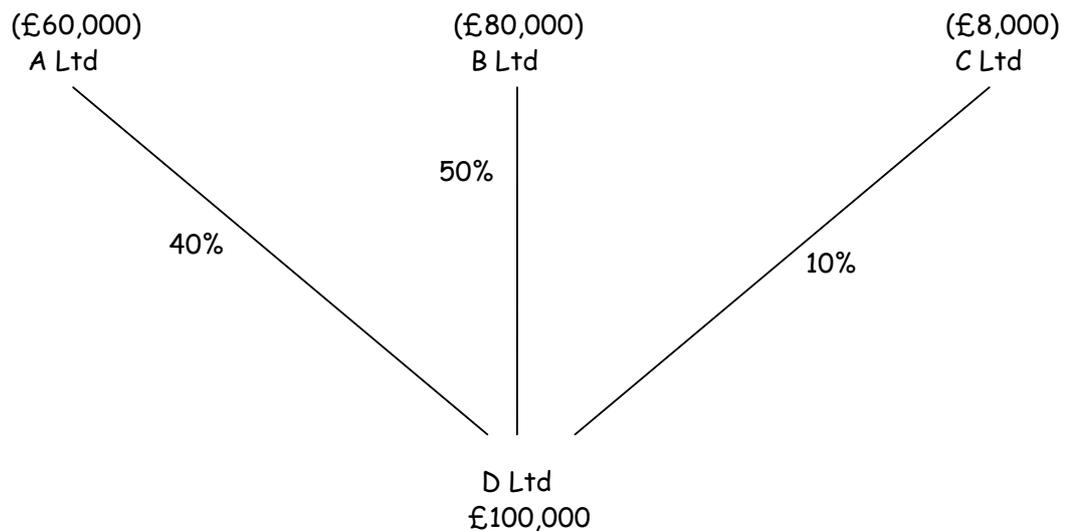
C will be entitled to 10% of D's loss which is £10,000.

Where the consortium members make a loss the maximum consortium relief is the lower of:

- (i) the consortium member's actual loss or,
- (ii) the consortium company's profit multiplied by the member's interest.

It is always the consortium company's result, whether that is a profit or a loss, which is multiplied by the percentage interest of the particular consortium member.

Illustration 3



What is the maximum loss relief from the consortium members to D Ltd?

The maximum amount of loss that can flow between A and D is £40,000, i.e. £100,000 multiplied by 40%.

The maximum loss that can flow between B and D is £50,000, i.e. £100,000 multiplied by 50%.

The maximum amount of loss that can flow between C and D is 10% of £100,000 which is £10,000 but as C only had a loss of £8,000, the amount of loss that can flow will be restricted to just £8,000.

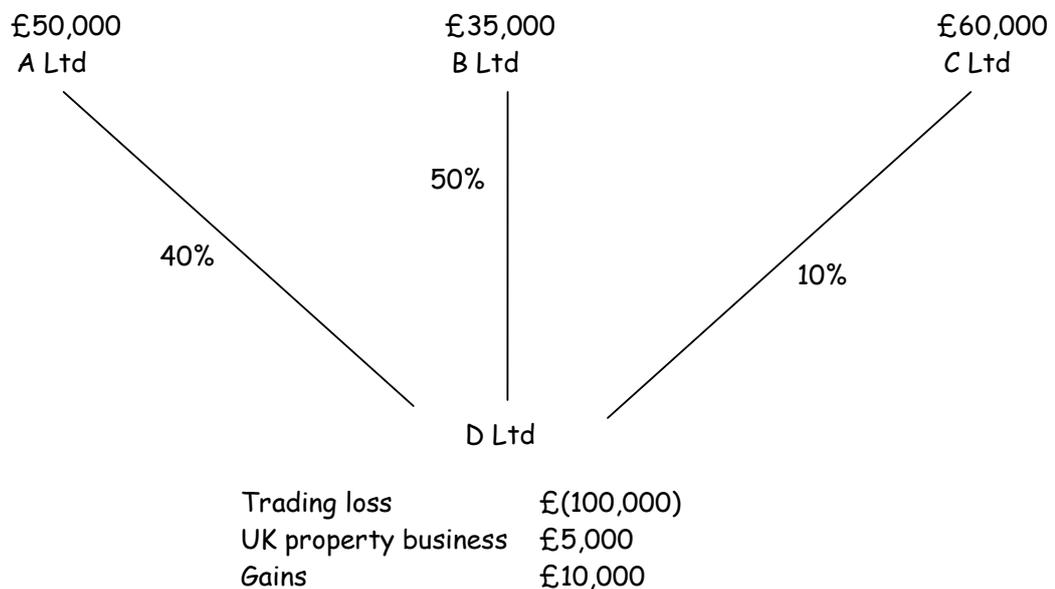
19.4 Deemed Current Year Claim

[CTA 2010, s.147](#)

Where a consortium company has other income it is deemed that a current year claim is made before consortium relief is computed. The current year claim is deemed to have been made under the provisions of CTA 2010 s37. This rule does not apply to group relief.

It is therefore the net loss (after "pretend" current year relief) that is available to the Consortium members.

Illustration 4



The maximum consortium relief which can flow between D Ltd and the consortium members is as follows:

D has UK property business income of £5,000 and a chargeable gain of £10,000, totalling £15,000. Therefore, the deemed current year claim will be £15,000, which reduces the consortium loss available to just £85,000.

Therefore the maximum amount that can flow to A is £34,000, which is £85,000 at 40%.

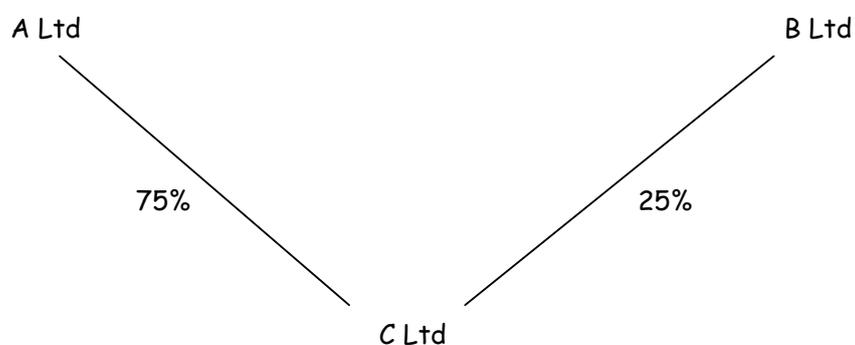
The maximum that can flow to B again would be £85,000 at 50% which is £42,500, but as B only has a profit of £35,000, the claim will therefore be restricted to £35,000.

C is entitled to 10% of D's available loss which is £8,500.

19.5 Interaction with group relief

Group relief takes priority over consortium relief

Illustration 5



As A owns 75% of C, there is a group of A and C and so group relief between A and C applies. This gives A entitlement to all of C's losses. B will get nothing because group relief takes priority.

[CTA 2010, s.153\(1\)\(a\)](#)

If the ownership of C was 74% by A and 26% by B, this would be a consortium and consortium relief would apply giving A entitlement to 74% of C's losses and B entitlement to 26%, so that 1% would make a great deal of difference to B.

Example 1

X Ltd owns 51% of Z Ltd, Y Ltd owns the remaining 49%.

The results of each company are:

X Ltd	Profit £80,000
Y Ltd	Profit £40,000
Z Ltd	Trading loss: £(100,000) Non-trading profits (LR): £10,000

Assuming maximum claims are made, how much of Z Ltd's loss remains unrelieved?

Answer 1

	Z Ltd £
Trading loss	100,000
Current year claim	<u>(10,000)</u>
Loss available to consortium members	90,000
Consortium Relief:	
X Ltd £90,000 x 51%	(45,900)
Y Ltd £90,000 x 49% - restricted to Y Ltd's profit	<u>(40,000)</u>
Remaining loss	<u>£4,100</u>