

## CHAPTER 20

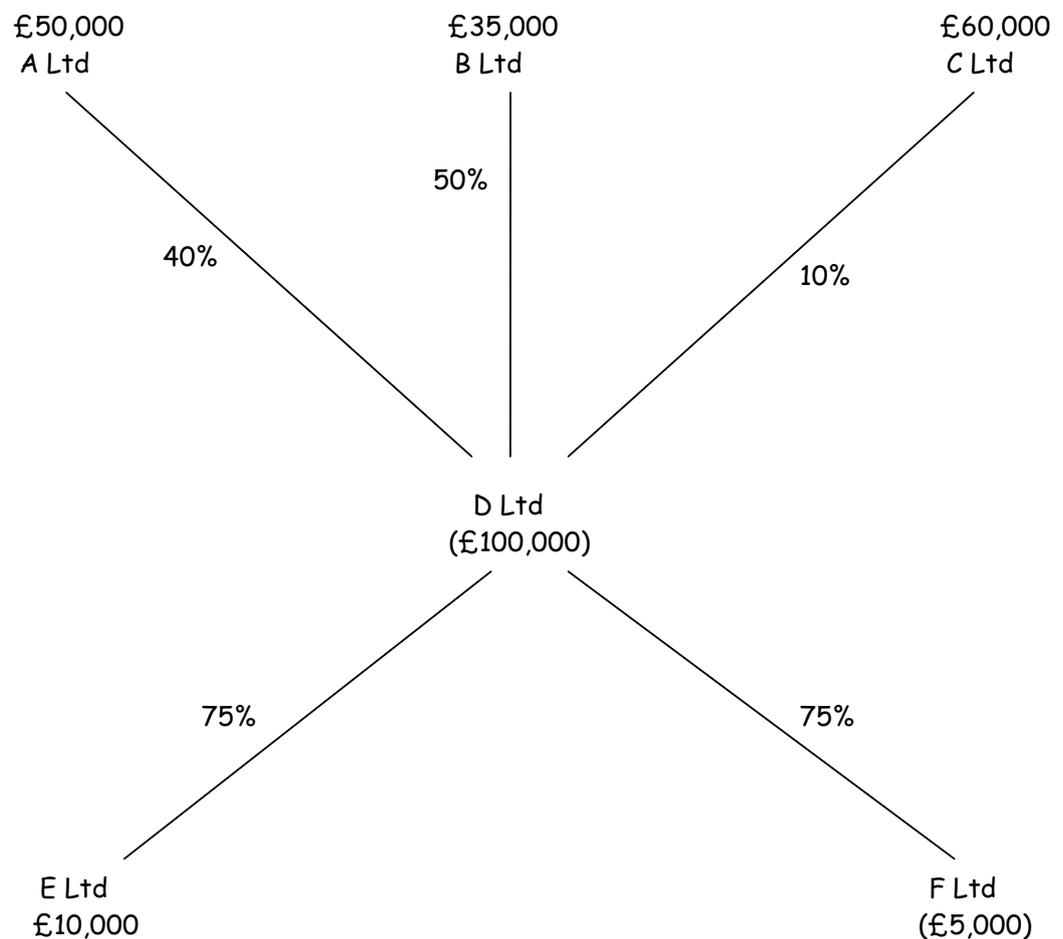
## GROUP CONSORTIUM COMPANIES

## 20.1 Definition

[CTA 2010, s.148 & s.149](#)

A "group consortium company" is a consortium company which has its own 75% group. When computing consortium relief available to the consortium members, it is deemed that any group relief claims within the consortium group have been made. It is therefore the net loss of the group in simple terms, which is available to the members.

## Illustration 1



£10,000 of D's loss will be deemed to have been transferred by way of group relief to E, reducing D's loss available for consortium relief to just £90,000.

Given this information, the amount of D's loss that A, B and C will be entitled to is as follows:

A will be entitled to £36,000, which is 40% of £90,000.

B will be entitled to 50% of £90,000 which is £45,000 but this will be restricted to the amount of profit of B, reducing the claim to just £35,000.

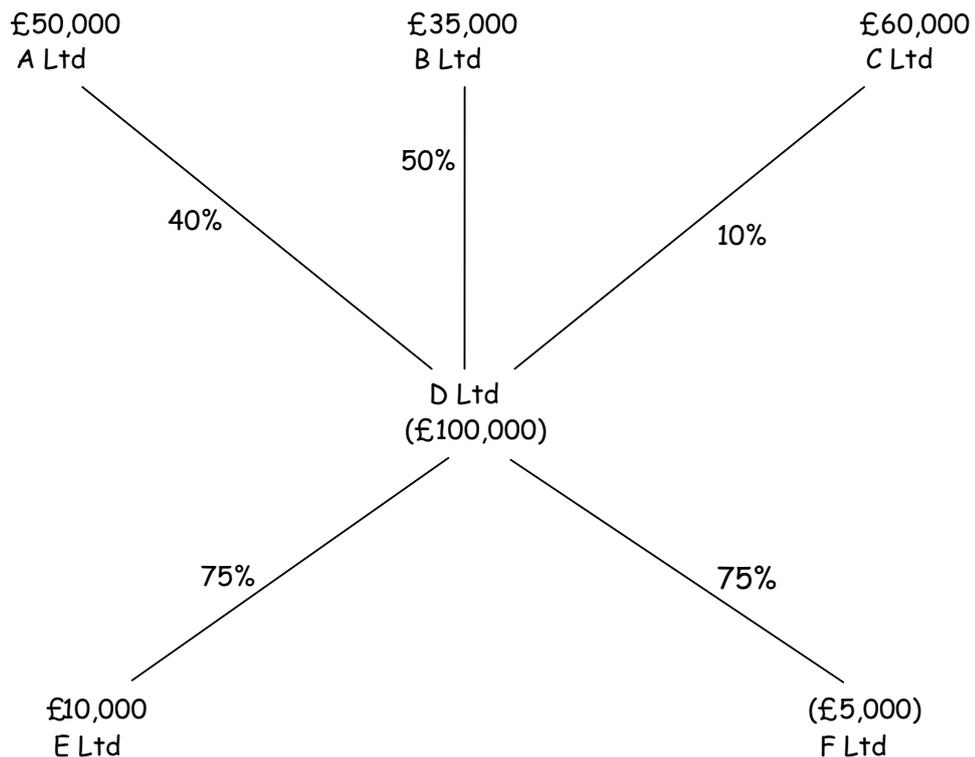
C will be due 10% of the loss, which is £9,000.

## 20.2 Group relief claims made

[CTA 2010, s.148\(6\) & s.149](#)

Where an actual group relief claim has been made between the subsidiaries of the group consortium company, it can be taken into account when computing the deemed claim. This can increase the amount of loss available to the consortium members.

### Illustration 2



An actual group relief claim is made between E and F, which transfers the £5,000 loss in F to E, reducing E's profit down to just £5,000.

This reduces the deemed group relief claim between D and E to just £5,000 and therefore the amount of loss available to the consortium members is increased now to £95,000.

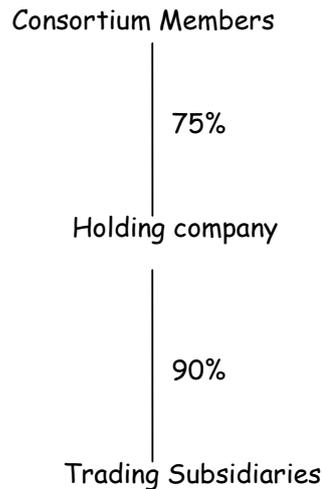
A is entitled to 40% of this, which is £38,000.

B is entitled to 50%, but this will be restricted to B's profit of £35,000.

C will be entitled to 10%, which is £9,500.

### 20.3 Consortium holding companies

[CTA 2010, s.153\(3\)](#)



The holding company owns a number of trading subsidiaries and for these rules to apply, it must own at least 90% of the shares of the trading subsidiaries, as the definition of a "holding company" for consortium relief purposes is a company whose activity is wholly or mainly in the holding of shares in 90% trading subsidiaries.

This will mean that the losses can flow directly between the trading subsidiary and the consortium members without restriction; it will simply be based on the amount of the trading subsidiary's loss, multiplied by the consortium member's interest in the consortium, on the proviso that the trading subsidiaries are UK resident. Where the subsidiaries are not UK resident no losses can flow.

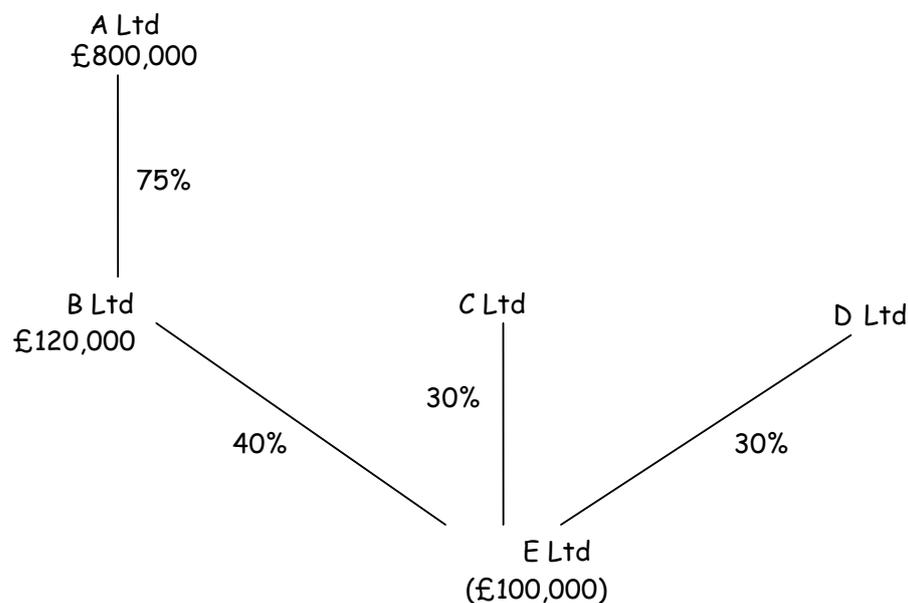
Losses can also flow to or from the consortium members and the holding company.

### 20.4 Link companies

[CTA 2010, s.133](#)

A link company is a company which is a member of a consortium and a member of a group relief group.

Losses in the consortium company can flow through the link company to members of its 75% group. Equally, losses of fellow group companies can flow through the link company to the consortium company.

**Illustration 3**

B is a link company here.

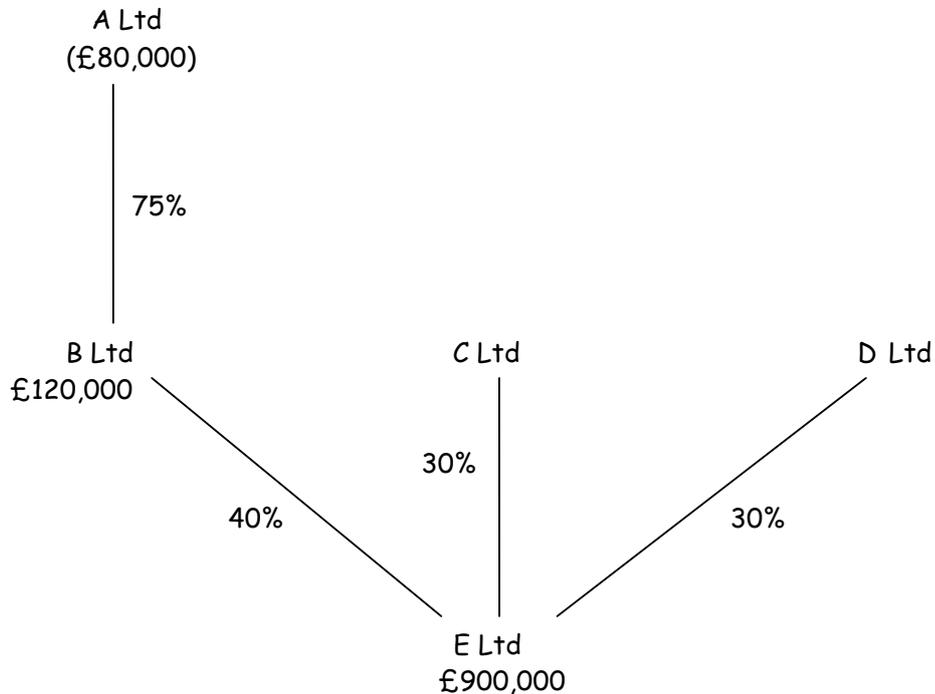
Assuming a year end of 31 March 2011, A has a marginal rate of tax of 28% and B has a marginal rate of tax of 21%. Therefore, if any losses are to flow it would be better that they go to A rather than B - that is the advantage of the link company rules.

B's share of E's loss, which is 40%, can flow through B and straight to A under the link company principle.

Therefore, a consortium company's loss can be used by the consortium member or any other member of the consortium member's group relief group.

**Illustration 4**

All companies have a year end of 31 March 2011.



E has a marginal rate of tax of 29.75% and B has a marginal rate of tax of 21%. Under the link company principle it would be better for A's loss to flow to E to take advantage of the higher marginal rate of tax.

The maximum loss that E could accept from B and its group, is a total of £360,000 (being 40% x £900,000) but as A's loss is only £80,000 the claim will be restricted to just £80,000.

We would actually need to look further at the arrangements within the consortium here in practice. A Limited owns 75% of B so therefore is going to benefit to the extent of 75%, by any losses flowing between A and B, whereas the group only owns 40% of E. The consortium arrangements may allow the tax saving as a result of the consortium relief claim to be passed to the A Limited group. If this is not the case however, it would probably be worth only transferring the loss between A and B. This would need to be taken into account when deciding the final claim to make.