

Group relief for property companies

(Lecture B1133 – 5.11 minutes)

In order for a valid group relief claim to be made, both the surrendering and the claimant company, in addition to being members of the same 75% group, must be 'UK-related' (see S131 CTA 2010).

The definition of 'UK-related' in S134 CTA 2010 has been amended so that the section now reads:

'For the purposes of Ss131 – 133 CTA 2010, a company is UK-related if:

- it is a UK-resident company; or
- it is a non-UK resident company within the charge to corporation tax.'

The phrase in italics contains the revised wording. It replaces 'carrying on a trade in the UK through a permanent establishment'.

From 6 April 2020, a non-UK resident company is to be subject to corporation tax on the profits of its UK property business and any other UK property income. At present, such companies pay income tax on their UK property profits. This move is primarily intended to bring non-UK resident property companies within the ambit of the corporate tax regimes for loss relief, loan relationships and interest relief restrictions.

As a result of the amendment above, non-UK resident companies carrying on a UK property business will, when they come within the charge to corporation tax, be regarded as a member of a group for group relief purposes. Hitherto, such a company did not qualify for relief, given that it was neither:

- a UK-resident company; nor
- carrying on a trade in the UK through a permanent establishment.

This amendment has effect for the purpose of determining whether a company is a UK-related company at any time on or after 5 July 2016.

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