



Corporation Tax Act 2010

2010 CHAPTER 4

PART 3

COMPANIES WITH SMALL PROFITS

The lower limit and the upper limit

24 The lower limit and the upper limit

- (1) This section gives the meaning in this Part of “the lower limit” and “the upper limit” in relation to an accounting period of a company.
- (2) If the company has no associated company in the accounting period—
 - (a) the lower limit is £300,000, and
 - (b) the upper limit is £1,500,000.
- (3) If the company has one or more associated companies in the accounting period—
 - (a) the lower limit is—

$$\frac{\pounds 300,000}{1 + N}$$

and

- (b) the upper limit is—

$$\frac{\pounds 1,500,000}{1 + N}$$

where N is the number of those associated companies.

- (4) For an accounting period of less than 12 months the lower limit and the upper limit are proportionately reduced.

Status: Point in time view as at 11/08/2011.

Changes to legislation: Corporation Tax Act 2010, Cross Heading: The lower limit and the upper limit is up to date with all changes known to be in force on or before 14 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

Modifications etc. (not altering text)

- C1** Ss. 24-30 applied (with modifications) by S.I. 1998/3175, reg. 3(5) (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Corporation Tax \(Instalment Payments\) \(Amendment\) Regulations 2011 \(S.I. 2011/1785\)](#), regs. 1(1), **4(8)**)

25 Associated companies

- (1) For the purposes of section 24, a company is another company's associated company in an accounting period if it is an associated company (see subsection (4)) for any part of the accounting period.
- (2) The rule in subsection (1) applies to each of two or more associated companies even if they are associated companies for different parts of the accounting period.
- (3) But an associated company is ignored for the purposes of section 24 if—
 - (a) it has not carried on a trade or business at any time in the accounting period, or
 - (b) it was an associated company for part only of the accounting period and has not carried on a trade or business at any time in that part of the accounting period.
- (4) For the purposes of this Part, a company is an associated company of another at any time when—
 - (a) one of the two has control of the other, or
 - (b) both are under the control of the same person or persons.
- (5) In subsection (4) “control” has the same meaning as in Part 10 (see sections 450 and 451).
- (6) In this section—
 - (a) subsection (3) is subject to section 26, and
 - (b) subsections (4) and (5) are subject to sections 27, 28, 29 and 30.

Modifications etc. (not altering text)

- C1** Ss. 24-30 applied (with modifications) by S.I. 1998/3175, reg. 3(5) (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Corporation Tax \(Instalment Payments\) \(Amendment\) Regulations 2011 \(S.I. 2011/1785\)](#), regs. 1(1), **4(8)**)
- C2** Ss. 25-30 applied by Capital Allowances Act 2001 (c. 2), s. 99(5) (as substituted (with effect in accordance with s. 1184(1) of the amending Act) by [2010 c. 4, s. 1184\(1\), Sch. 1 para. 332](#) (with [Sch. 2](#)))

26 Section 25(3): treatment of certain non-trading companies

- (1) Subsection (2) applies if a company carries on a business of making investments in an accounting period and throughout the period the company—
 - (a) carries on no trade,
 - (b) has one or more 51% subsidiaries, and
 - (c) is a passive company.

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- (2) The company is treated for the purposes of section 25(3) as not carrying on a business at any time in the accounting period.
- (3) A company is a passive company throughout an accounting period only if the following requirements are met—
 - (a) it has no assets in that period, other than shares in companies which are its 51% subsidiaries,
 - (b) no income arises to it in that period other than dividends,
 - (c) if income arises to it in that period in the form of dividends—
 - (i) the redistribution condition is met (see subsection (4)), and
 - (ii) the dividends are franked investment income received by it,
 - (d) no chargeable gains accrue to it in that period,
 - (e) no expenses of management of the business mentioned in subsection (1) are referable to that period, and
 - (f) no qualifying charitable donations are deductible from the company's total profits of that period.
- (4) The redistribution condition is that—
 - (a) the company pays dividends to one or more of its shareholders in the accounting period, and
 - (b) the total amount paid in the form of those dividends is at least equal to the amount of the income arising to the company in the form of dividends in that period.
- (5) If income arises to a company in an accounting period in the form of a dividend and the requirement in subsection (3)(c) is met in respect of the income—
 - (a) neither the dividend nor any asset representing it is treated as an asset of the company in that accounting period for the purposes of subsection (3)(a), and
 - (b) no right of the company to receive the dividend is treated as an asset of the company for the purposes of subsection (3)(a) in that period or any earlier accounting period.

Modifications etc. (not altering text)

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[^{F1}27 Attribution to persons of rights and powers of their associates

- (1) This section applies if—
 - (a) it is necessary to determine in accordance with section 25(4) and (5) whether a company is an associated company of another company, and
 - (b) the relationship between the two companies is not one of substantial commercial interdependence.

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- (2) In the application of section 451 (meaning of “control”: rights to be attributed) for the purposes of the determination, any person to whom rights and duties fall to be attributed under subsections (4) and (5) of that section is to be treated, for the purposes of those subsections, as having no associates.
- (3) The Treasury may by order prescribe factors that are to be taken into account in determining whether a relationship between two companies amounts to substantial commercial interdependence for the purposes of this section.]

Textual Amendments

- F1** S. 27 substituted (with effect in accordance with s. 55(2)-(5) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), s. **55(1)**

Modifications etc. (not altering text)

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28 Associated companies: fixed-rate preference shares

- (1) In determining for the purposes of section 25(4) whether a company is under the control of another, fixed-rate preference shares held by a company are ignored if the company holding them—
- is not a close company,
 - takes no part in the management or conduct of the company which issued the shares, or in the management or conduct of its business, and
 - subscribed for the shares in the ordinary course of a business which includes the provision of finance.
- (2) In this section “fixed-rate preference shares” means shares which—
- were issued wholly for new consideration,
 - do not carry any right either to conversion into shares or securities of any other description or to the acquisition of any additional shares or securities, and
 - do not carry any right to dividends other than dividends which—
 - are of a fixed amount or at a fixed rate per cent of the nominal value of the shares, and
 - together with any sum paid on redemption, represent no more than a reasonable commercial return on the consideration for which the shares were issued.
- (3) In subsection (2)(a) “new consideration” has the meaning given by section 1115.

Modifications etc. (not altering text)

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29 Association through a loan creditor

- (1) A company (“A”) is not under the control of another company (“B”) for the purposes of section 25(4) if—
- (a) B is a loan creditor of A,
 - (b) there is no other connection between A and B, and
 - (c) either—
 - (i) B is not a close company, or
 - (ii) B's relationship to A as a loan creditor arose in the ordinary course of a business which B carries on.
- (2) Subsection (3) applies if—
- (a) two companies (“A” and “B”) are controlled by the same person who is a loan creditor of each of them,
 - (b) there is no other connection between A and B, and
 - (c) either—
 - (i) the loan creditor is a company which is not a close company, or
 - (ii) the loan creditor's relationship to each of A and B as a loan creditor arose in the ordinary course of a business which the loan creditor carries on.
- (3) In determining for the purposes of this Part whether A and B are associated with each other, rights which the loan creditor has as a loan creditor of A, or as a loan creditor of B, are ignored.
- (4) In subsection (2)(a) “control” has the same meaning as in section 25(4).
- (5) In this section—
- (a) “connection” includes a connection in the past as well as a connection in the present, and
 - (b) references to a connection between two companies include any dealings between them.
- (6) In this section references to a loan creditor of a company are to be read in accordance with section 453.

Modifications etc. (not altering text)

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30 Association through a trustee

- (1) Subsection (2) applies if—
- (a) two companies (“A” and “B”) are controlled by the same person by virtue of rights or powers (or both) held in trust by that person, and
 - (b) there is no other connection between A and B.
- (2) In determining for the purposes of this Part whether A and B are associated with each other, the rights and powers mentioned in subsection (1)(a) are ignored.
- (3) In subsection (1)—
- (a) “control” has the same meaning as in section 25(4),
 - (b) “connection” includes a connection in the past as well as a connection in the present, and
 - (c) the reference to a connection between A and B includes any dealings between them.

Modifications etc. (not altering text)

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