

CORPORATION TAX ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Part 3: Companies with small profits

Section 25: Associated companies

99. This section defines “associated company” for the purpose of section 24. It is based on section 13 of ICTA.
100. *Subsection (1)* sets out the position if a company is an associated company for any part of an accounting period. It counts as an associated company for the whole of the accounting period.
101. *Subsection (2)* clarifies the position if more than one company is an associated company for different parts of an accounting period.

Example

Company A claims small profits rate for its accounting period from 1 January 2009 to 31 December 2009.

A is associated with B in the period 1 January 2009 to 31 March 2009.

A is associated with C in the period 1 October 2009 to 31 December 2009.

A has two associated companies in its accounting period ending on 31 December 2009, even though it never has more than one at any time.

102. *Subsection (3)* is the rule that associated companies that carry on no business are ignored. The rule is modified by subsection (6).
103. *Subsection (4)* is the main rule for determining whether or not companies are “associated”, based on “control”. The rule is modified by subsection (6).
104. *Subsection (5)* defines “control” for the purpose of subsection (4). The definition is based on section 450 but is modified by subsection (6).
105. *Subsection (6)* introduces the special rules for associated companies in the next five sections.