



Corporation Tax Act 2010

2010 CHAPTER 4

PART 5

GROUP RELIEF

CHAPTER 5

SUBSIDIARIES, GROUPS AND CONSORTIUMS

Arrangements for transfers of companies

154 Arrangements for transfer of member of group of companies etc

- (1) This section applies if, apart from this section, one company (“the first company”) and another company (“the second company”) would be members of the same group of companies.
- (2) For the purposes of this Part the companies are not members of the same group of companies if—
 - (a) one of the companies has surrenderable amounts for an accounting period (“the current period”), and
 - (b) arrangements within subsection (3) are in place.
- (3) Arrangements are within this subsection if they have any of the following effects [^{F1}(but see sections 154A and 155B)].

Effect 1

At some time during or after the current period, the first company or any successor of it—

- (a) could cease to be a member of the same group of companies as the second company, and
- (b) could become a member of the same group of companies as a third company (see subsection (4)).

Status: Point in time view as at 17/07/2012.

Changes to legislation: Corporation Tax Act 2010. Cross Heading: Arrangements for transfers of companies is up to date with all changes known to be in force on or before 25 July 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)

Effect 2

At some time during or after the current period a person (other than the first or second company) has or could obtain, or persons together (other than those companies) have or could obtain, control of the first company but not of the second company.

Effect 3

At some time during or after the current period, a third company could start to carry on the whole or a part of a trade that at a time during the current period is carried on by the first company and could do so—

- (a) as the successor of the first company, or
- (b) as the successor of another company which is not a third company and which started to carry on the whole or a part of the trade during or after the current period.

- (4) A “third company” means a company that is not, apart from any arrangements within subsection (3), a member of the same group of companies as the first company.

Textual Amendments

- F1** Words in s. 154(3) inserted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **13(2)**

155 Arrangements for transfer of company owned by consortium etc

- (1) This section applies if, apart from this section, a trading company would be owned by a consortium.
- (2) The trading company is not owned by the consortium if—
- (a) for an accounting period (“the current period”) the trading company or a member of the consortium has surrenderable amounts, and
 - (b) arrangements within subsection (3) are in place.
- (3) Arrangements are within this subsection if they have any of the following effects [^{F2}(but see sections 154A and 155B)].

Effect 1

The trading company or a successor of it could, at some time during or after the current period, become a 75% subsidiary of a third company (see subsection (4)).

Effect 2

Any person who owns, or any persons who together own, less than 50% of the ordinary share capital of the trading company—

- (a) has, or together have, control of the trading company, or
- (b) could obtain such control at some time during or after the current period.

Effect 3

Any person (“P”), either alone or together with persons connected with P—

- (a) holds or could obtain at least 75% of the qualifying votes, or
- (b) controls or could control the exercise of at least 75% of those votes.

For this purpose—

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“connected” is to be read in accordance with section 1122 but as if subsection (4) of that section were omitted, and

“qualifying votes” means the votes which may be cast in a poll taken at a general meeting of the trading company held during or after the current period.

Effect 4

A third company could start to carry on the whole or a part of a trade that at a time during the current period is carried on by the trading company and could do so—

- (a) as the successor of the trading company, or
- (b) as the successor of another company which is not a third company and which started to carry on the whole or a part of the trade during or after the current period.

(4) A “third company” means a company that is not, apart from any arrangements within subsection (3), a member of the same group of companies as the trading company.

(5) If the trading company would, apart from this section, be owned by a consortium as a result of section 153(3) (consortiums involving holding companies)—

- (a) references in this section (apart from references under Effect 4) to the trading company are to be read as including references to the holding company concerned, and
- (b) Effect 3 does not apply if P is that holding company.

Textual Amendments

- F2** Words in s. 155(3) inserted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **13(3)**

[^{F3}155A Certain arrangements not within sections 154 and 155

(1) Arrangements entered into by a joint venture company which, apart from this section, would be arrangements within section 154(3) or 155(3) are not to be treated as such arrangements if and so long as—

- (a) the arrangements fall within subsection (2), and
- (b) none of the contingencies mentioned in subsection (3) to which the arrangements relate has occurred.

(2) Arrangements fall within this subsection if they are—

- (a) an agreement which provides for the transfer of shares or securities in the joint venture company to one or more members of that company on, or as a result of, one or more contingencies mentioned in subsection (3) occurring, or
- (b) a provision in a constitutional document of the joint venture company which provides for the suspension of a member’s voting rights on, or as a result of, one or more of those contingencies occurring.

(3) The contingencies referred to in subsections (1)(b) and (2) are—

- (a) the voluntary departure of a member,
- (b) the commencement of the liquidation, administration, administrative receivership or receivership of, or the entering into of a voluntary arrangement by, a member under the Insolvency Act 1986 or the Insolvency (Northern

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- Ireland) Order 1989 or the commencement, or entering into, of equivalent proceedings or arrangements under the law of any country or territory outside the United Kingdom,
- (c) a serious deterioration in the financial condition of a member,
 - (d) a change of control of a member,
 - (e) a default by a member in performing its obligations under any agreement between the members or with the joint venture company (which, for this purpose, includes any constitutional document of the joint venture company),
 - (f) an external change in the commercial circumstances in which the joint venture company operates such that its viability is threatened,
 - (g) an unresolved disagreement between members, and
 - (h) any contingency of a similar kind to that mentioned in any of paragraphs (a) to (g) which is provided for, but not intended to happen, when the arrangements in question are entered into.
- (4) This section does not apply if a member could alone or together with connected persons dictate the terms or timing of—
- (a) the transfer of shares or securities, or
 - (b) the suspension of a member’s voting rights,
- in advance of one or more of the contingencies occurring.
- (5) For the purposes of subsection (4) members are not connected with each other by reason only of their membership of the joint venture company.
- (6) In this section—
- “connected” has the same meaning as in section 1122;
 - “constitutional document” means a memorandum of association, articles of association or any other similar document regulating the affairs of the joint venture company;
 - “joint venture company” means a company which—
 - (a) has two or more member companies, and
 - (b) carries on a commercial activity governed by an agreement regulating the affairs of its members;
 - “member” means a holder of shares or securities in the joint venture company.

Textual Amendments

- F3** Ss. 155A, 155B inserted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **13(1)**

155B Certain mortgage arrangements not within sections 154 and 155

- (1) Arrangements entered into by a company which, apart from this section, would be arrangements within section 154(3) or 155(3) are not to be treated as such arrangements if and so long as—
- (a) the arrangements are a mortgage, secured by way of shares or securities in the company, which on default or the happening of any other event allows the mortgagee to exercise its rights against the mortgagor, and
 - (b) the mortgagee has not exercised its rights against the mortgagor.

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- (2) This section does not apply if the mortgagee—
- (a) possesses greater rights in respect of the shares or securities which are the subject of the mortgage than it requires to protect its interest as mortgagee, or
 - (b) could alone or together with connected persons dictate the terms or timing of the default or the happening of any other event which allows it to exercise its rights against the mortgagor.
- (3) For the purposes of subsection (2)(b) the mortgagee is not, by reason only of the mortgage, connected with a company whose shares or securities are the subject of the mortgage.
- (4) In this section—
- “connected” has the same meaning as in section 1122;
 - “mortgage” means—
 - (a) in England and Wales, and Northern Ireland, any legal or equitable charge, and
 - (b) in Scotland, any right in security,
(and section 1166(1) (definition of “mortgage”: Scotland) does not apply).]

Textual Amendments

- F3** Ss. 155A, 155B inserted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **13(1)**

156 Sections 154 and 155: supplementary

- (1) This section applies for the purposes of sections 154 [^{F4}to 155B].
- (2) “Arrangements”—
- (a) means arrangements of any kind (whether or not in writing), but
 - (b) does not include a power of a Minister of the Crown, the Scottish Ministers or a Northern Ireland department to give directions to a statutory body as to the disposal of assets belonging to the body or to a subsidiary of the body.
- (3) A company is the successor of another company if it carries on a trade which, in whole or in part, the other company used to carry on and the circumstances are such that—
- (a) Chapter 1 of Part 22 (transfers of trade without a change of ownership) applies in relation to the companies as, respectively, the successor and the predecessor within the meaning of that Chapter, or
 - (b) the two companies are connected with each other in accordance with section 1122.

Textual Amendments

- F4** Words in s. 156(1) substituted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **13(4)**

Status:

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Changes to legislation:

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