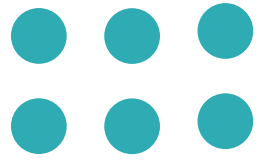




Associated Companies

- **Presented by Jo Tomlinson**
- Owner and MD of Business Works UK
- Registered and Approved Growth Coach
- Certified Quickbooks Trainer



Jo Tomlinson BA(hons) ACMA

MD Business Works UK LTD

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www.businessworksuk.co.uk

After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.



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New CT Rates and Rules April 2023

- Rates
- Associated Company Rules
- Split years
- Large and extra-large companies

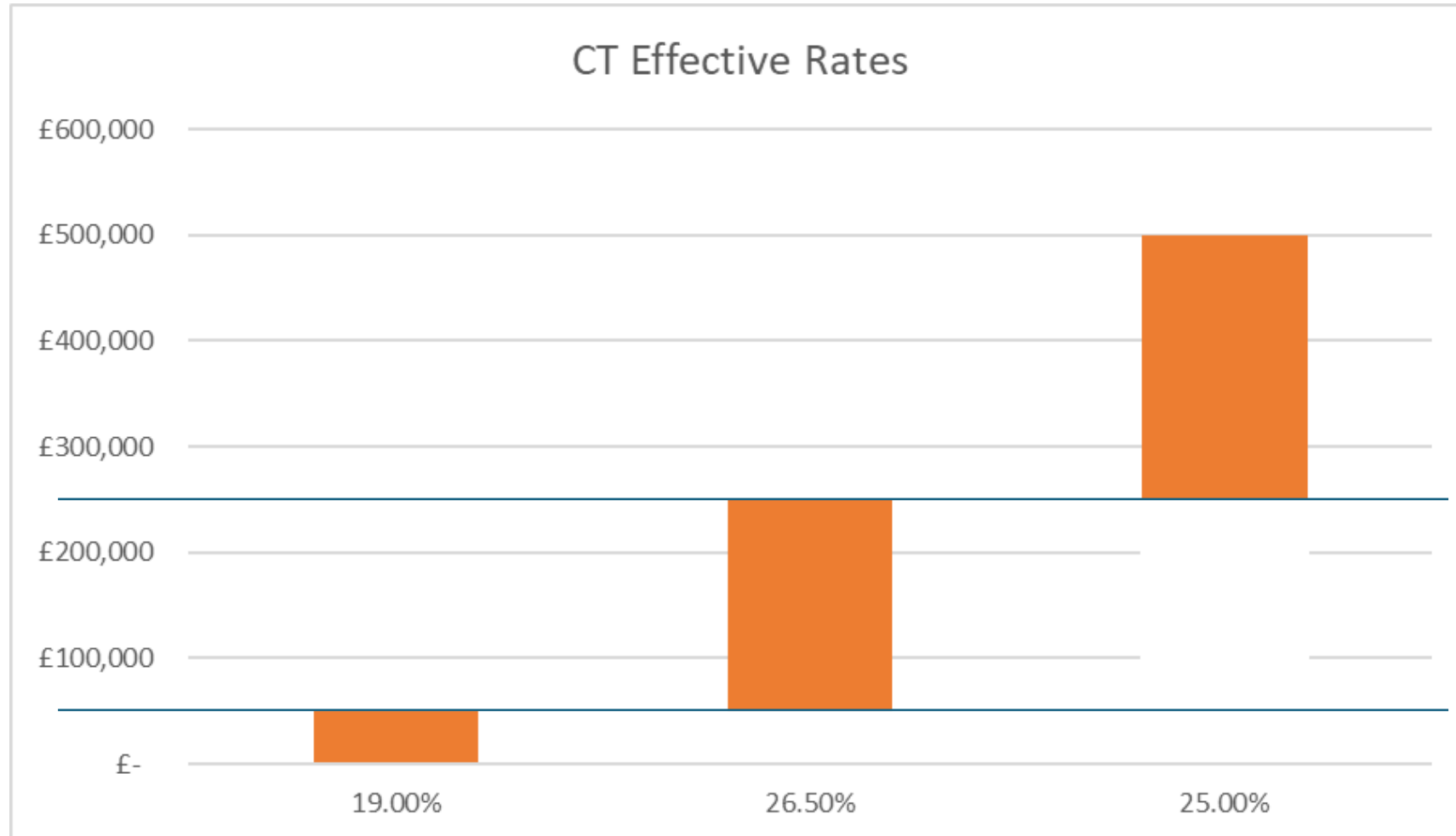


Rates

	FY22 (1/4/22-31/3/23)	FY23(1/4/23-31/3/24)	Difference	FY24(1/4/24-31/3/25)
Small (<£50k)	19%	19%	-	19%
Marginal (<£250k)	19%	26.5%	+7.5%	26.5%
Main	19%	25%	+6%	25%
Instalments (large)	£1.5m	£1.5m	-	£1.5m
Instalments(very large)	£20m	£20m	-	£20m

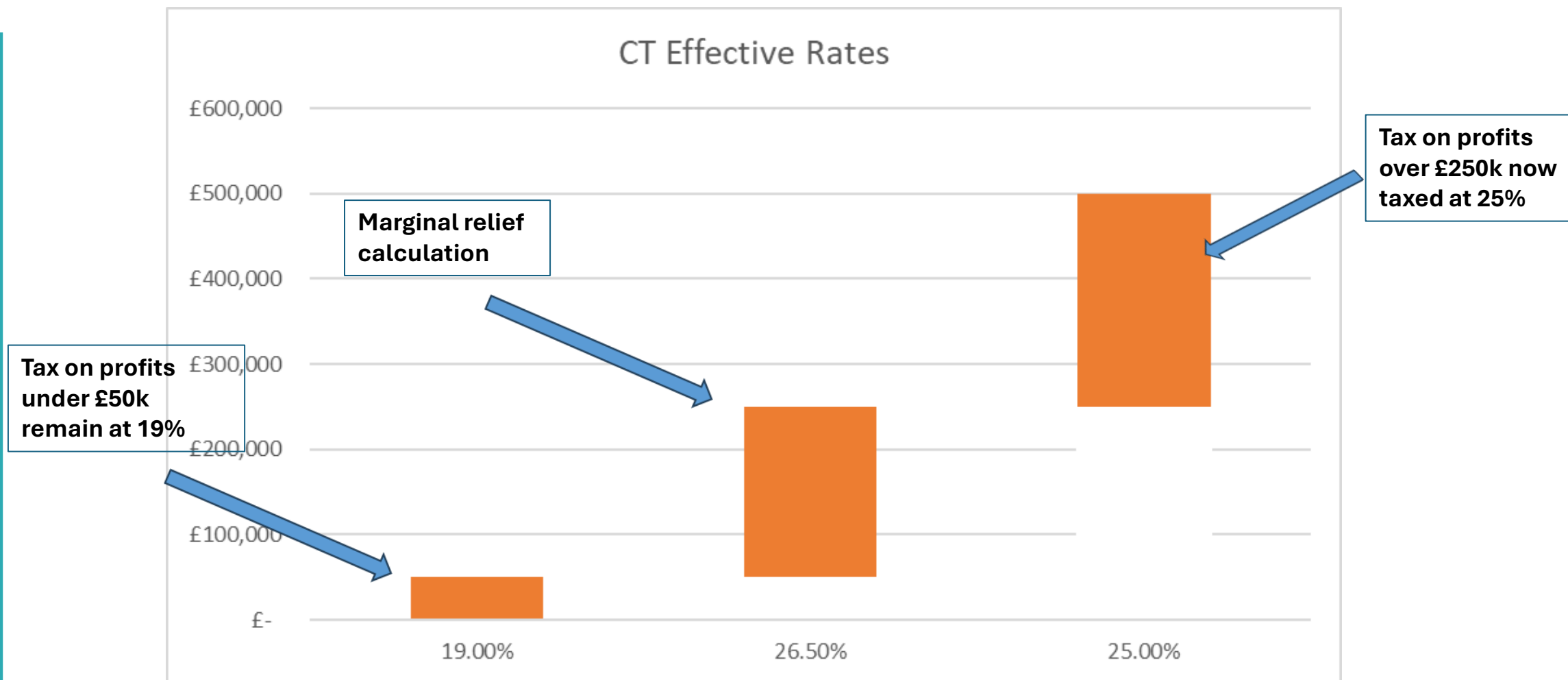
From FY23, size thresholds divided by associated companies

Rates






Rates





Marginal Relief Example



Taxable Profit £100,000

HMRC Calculation

Tax at 25%	£	25,000	
Less Marginal rate relief	-£	2,250	$(250000-100000)*3/200$
Tax due	£	22,750	
Percentage paid		22.75%	

Alternative calculation

Taxed at lower rate	£	50,000	£	9,500	19.00%
Balance	£	50,000	£	13,250	26.50%
			£	22,750	

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Effective rate –
important for
loss relief
considerations

Alternative calculation

Taxed at lower rate	£	50,000	£	9,500	19.00%
Balance	£	50,000	£	13,250	26.50%
			£	22,750	



Effective Rate

- This is the rate at which you PAY and SAVE tax at if your profits are above £50k



Associated Companies



CTM03570 - Corporation Tax: small profits relief: associated company - definition

A company is an 'associated company' of another company if one of the two has control of the other, or both are under the control of the same person or persons (CTA10/S25 (4). 'Control' for this purpose is defined as for close companies (CTA10/PART10, S450 and S451, see [CTM60210](#)).

A company may be an 'associated company' no matter where it is resident for tax purposes.



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Control?!

- 
- Control over the affairs of the company
 - Control through voting power
 - Control through share capital
 - Control over income
 - Control over the assets



Why is this important?

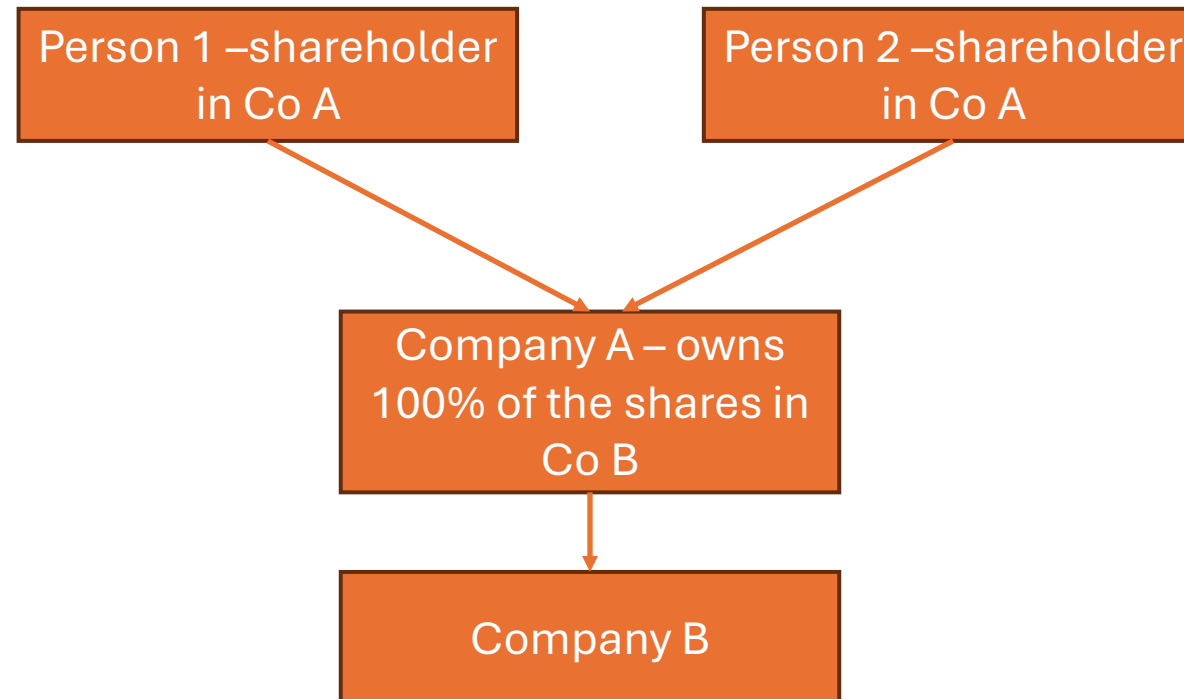
- Where there are associated companies, the upper and lower limited for taxable profits are shared between those companies

Associated Companies	1	2	3	4
Lower rate	£ 50,000	£ 25,000	£ 16,667	£ 12,500
Upper rate	£ 250,000	£ 125,000	£ 83,333	£ 62,500



If one company controls another

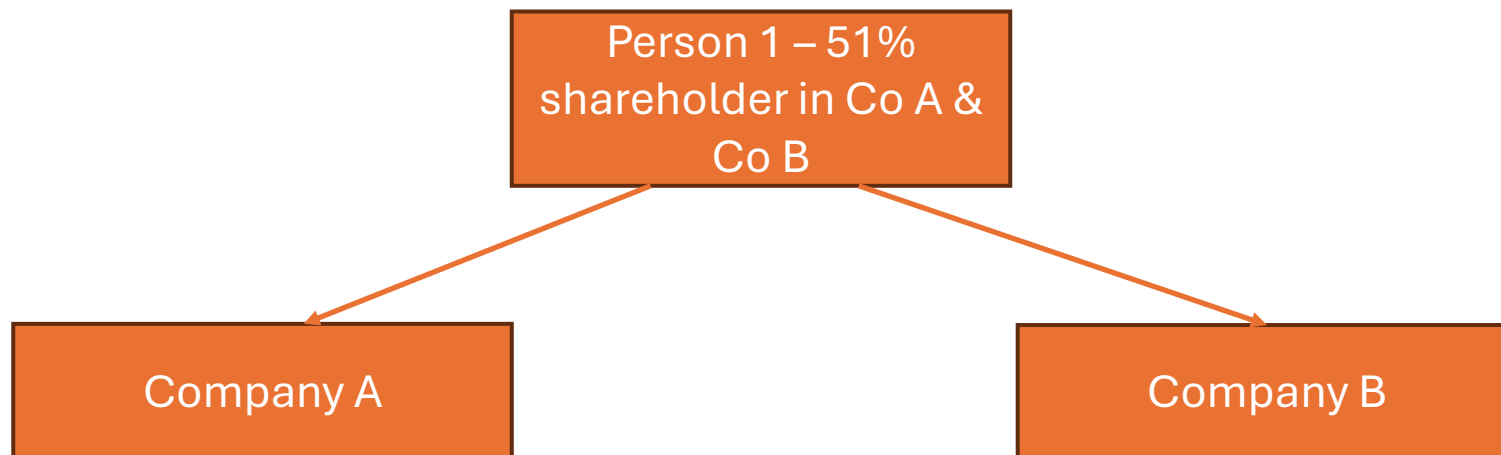
- At least 51% shares **or one of the other measures of control**





If two or more companies are under the same control

- At least 51% shares or **one of the other measures of control**





Multiple persons

- Control – under this legislation
- It isn't about if associated persons **DO** exert control, its if they **COULD** exert control!



Interdependence

‘substantial commercial interdependence’

- Financial - Intercompany loans
- Economically - Trade of one relies on the trade of another/common customers (commissions/referrals or something else)
- Organisationally – Common management, employees, premises, equipment
- If yes – then we need to consider family members



Family members

- Other peoples shareholding can be combined with yours to determine control **IF there is** 'substantial commercial interdependence'
- Examples
 - Spouses or civil partners
 - Children or grandchildren etc
 - Parents or grandparents etc
 - Brothers or sisters
 - Trustees of any settlements



Family members

Company X LTD

- Bill 40%
- David 40%
- Joy 20%

Company Y LTD

- Ed 75%
- Dean 25%

Step 1:- Company A provides financial support to Company B = 'substantial commercial interdependence'

Step 2:- Now we look at family members

Step 3:- What if - Joy and Ed are married – now treated as one (still not associated as control is not there in Co X)

Step 4:- What if – Joy and Bill are siblings – as all family members are treated as acting together, we now have control in both companies, so we have 2 Associated Companies

From FY23, size thresholds divided by associated companies



Minimum Irreducible Groups

- Where there is no single shareholder who is in control of a company
- Groups of individuals who together have control of more than one company
- Add their shareholding together to make a controlling interest
- It's not about if they do, but if they could form a controlling relationship



Minimum Irreducible Groups

	Company 1	Company 2	Company 3
Shareholder A	60%	15%	20%
Shareholder B	20%	40%	10%
Shareholder C	10%	40%	35%
Shareholder D	10%	5%	35%



Minimum Irreducible Groups

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Minimum Irreducible Groups

	Company 1	Company 2
Shareholder A	50%	50%
Shareholder B	50%	50%



Associated Companies Examples

	Not associated			Associated	
	Company 1	Company 2		Company 1	Company 2
Taxable Profit	£ 100,000	£ 10,000	Taxable Profit	£ 100,000	£ 10,000
Taxed at 19%	£ 50,000	£ 10,000	Taxed at 19%	£ 25,000	£ 10,000
Taxed at 26.5%	£ 50,000	£ -	Taxed at 26.5%	£ 75,000	£ -
Tax payable	£ 22,750	£ 1,900	Tax payable	£ 24,625	£ 1,900
		<u>£ 24,650</u>			<u>£ 26,525</u>
			Extra	£ 1,875	



Associated Companies Examples

	Not associated		Associated	
	Company 1	Company 2	Company 1	Company 2
Taxable Profit	£ 100,000	£ 10,000	£ 110,000	
Taxed at 19%	£ 50,000	£ 10,000	£ 25,000	
Taxed at 26.5%	£ 50,000	£ -	£ 85,000	£ -
Tax payable	<u>£ 22,750</u>	<u>£ 1,900</u>	<u>£ 27,275</u>	<u>£ -</u>
		<u>£ 24,650</u>		<u>£ 27,275</u>
			Extra	£ 2,625



Control?!

- At any time during the tax year.
- So, check dates for share sale or purchase and liquidations/Strike off



Ignore

- Non Trading Companies
- Dormant Companies
- Group Holding Companies are often non trading, but if they have income in the form of Dividends, the whole of this income must be distributed to its shareholders in the form of dividends for it to be ignored as an Associated company
- No chargeable gain
- No management expenses



One to One time is available



VAT registration and Rules

Tuesday 25th March

10am





Employing People

Tuesday 1st April

10am



Thank

You



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