

## **ESC 15      Associated Companies – relaxation of the definition of ‘Relative’**

S28 TO 1997 states the corporation tax rates and threshold amount. The threshold amount is £1,000,000 and all profits below this amount are taxed at a lower CT rate. The threshold amount is reduced using a fraction which is dependent on the number of Associated Companies of a company. The definition of an Associated company is given at S28(6) and S210 applies.

The scope of S210 is very wide and S210(5) attributes the rights and powers of a person's 'associates' when determining whether he has control of a company. 'Associates' includes relatives and S211(2) & (3) define a relative as a husband or wife, parent or remoter forebear, child or remoter issue and brother or sister. Thus, two companies are 'associated' when there is common control; and related individuals holding separate companies can find that those companies are associated for the purposes of S28. This reduces the threshold amount taxable at the lower rate for both of them.

The Tax Office will, by concession, treat the definition of relative in S211(3) for the purposes of S28 as including only a husband or wife or child who is a minor. This concession applies only in respect of companies where there is no substantial commercial interdependence between them.