UK Property Accountants

A Complete Guide to

Group Structuring in UK Tax for Companies and Property Investors



Table of Contents

S.N	TITLE	PAGE
I.	Introduction	01
II.	Why Consider a Group Structure?	01
III.	What Exactly is a "Group" for UK Tax Purposes?	02
IV.	Introduction to UK Taxes Affecting Group Structures	04
V.	Capital Gains Tax (CGT) Group Relief	05
VI.	Stamp Duty (Shares) and SDLT (Land) Group Relief	06
VII.	Corporation Tax Group Loss Relief	08
VIII.	Accounting Consolidation and Year-End Alignment	10
IX.	Corporation Tax Rates and Thresholds	11
X.	Impact on Marginal Relief	14
XI.	HMRC Advance Clearance and Anti-Avoidance Provisions	15
XII.	Compliance Obligations and Documentation	18
XIII.	Sector-Specific Structuring Considerations	19
XIV.	Conclusion	21

Introduction

At UK Property Accountants, our goal is to make group structuring clear and practical for companies and property investors. We explain key reliefs and rules for intra-group transfers, losses and reorganisations, particularly for property-focused groups. Topics covered include CGT and SDLT group relief for intra-group transfers, reliefs on corporate reorganisations, group loss relief, HMRC clearance procedures, anti-avoidance provisions, company structuring, and sector-specific considerations. We also examine how group structures impact consolidated accounts and the alignment of accounting year-ends.

Why Consider a Group Structure?



Tax Savings

Move profits, assets, or losses between companies in the group to lower your overall tax bill, by using specific tax reliefs.



Easier Management

Centralise control and make decision-making smoother.



Reduced Risk

Separate trading from risky assets like property or protect assets from business risks.



Step-by-Step Growth

Expand into new activities or investments without starting a brand-new company from scratch.

What Exactly is a "Group" for UK Tax Purposes?

Think of a group like a family tree for companies. It's not just a collection of separate businesses you own; it's a specific legal relationship recognised by HMRC that unlocks those valuable tax benefits.

The Core Rule: The 75% Connection

For tax purposes, a "group" exists when:



One Company Owns (Controls) Another

This is the most common setup. Imagine a main "Parent Company" sitting at the top.



The Parent Owns at Least 75%

To be part of the group, the Parent must own at least 75% of the ordinary share capital of another company (the "Subsidiary").

Effectively Controls It



Ownership isn't just about shares; the Parent must also be entitled to at least 75% of the Subsidiary's profits (if distributed) and assets (if wound up). This usually goes hand-in-hand with the 75% shareholding.

The 75% threshold is set by UK law, and meeting this level of ownershi and control is what qualifies companies for the special tax reliefs when moving assets, profits, or losses between them.

The Core Rule: The 75% Connection

Groups can be structured in different ways to suit your business:

- **Simple Parent + Subsidiary:** One main company owns 75%+ of one or more other companies directly.

  Example: Your main holding company (Parent) owns 100% of your property rental company (Subsidiary 1) and 100% of your trading company (Subsidiary 2).

- **Longer Chains (Sub-Subsidiaries):** A Subsidiary company can itself own 75%+ of another company. This creates a "Sub-Subsidiary," which is still part of the main Parent's group.

  Example: Your main Holding Company (Parent) owns 100% of Property Co A (Subsidiary). Property Co A owns 100% of Property Co B. Property Co B is a Sub-Subsidiary of the main Holding Company and part of its group.

- **Combination:** A Parent can have several direct Subsidiaries, and some of those Subsidiaries can have their own Sub-Subsidiaries. For example:

  PropInvest Holdings Ltd (Parent) owns 100% of the three companies:

  - Rental Portfolio Ltd (Subsidiary 1),
  - Development Ventures Ltd (Subsidiary 2),
  - Property Management Ltd (Subsidiary 3).

  Additionally, Development Ventures Ltd (Subsidiary 2) owns 100% of EcoHomes Ltd (a Sub-Subsidiary), while Property Management Ltd (Subsidiary 3) owns 100% of ServiceCharge Ltd (another Sub-Subsidiary). All entities – the Parent, three Subsidiaries, and two Sub-Subsidiaries – form a single UK tax group under PropInvest Holdings Ltd, meeting the 75%+ ownership threshold for group reliefs

If Company A owns (and meets the 75% profit/asset conditions of) Company B, they form a group. This relationship allows you to utilise the tax reliefs mentioned earlier (like transferring assets without immediate CGT or SDLT or sharing losses) between those specific companies within the group structure.

Introduction to UK Taxes Affecting Group Structures

When forming or restructuring a group, you must understand how the following taxes apply:

1

Capital Gains Tax (CGT)

Applies on disposal of chargeable assets (e.g., property, shares), whether by sale or transfer, and the seller/transferor company is liable for any gain realised. Relief from Capital Gains Tax (CGT) is available for group transfers.

2

Stamp Duty Land Tax (SDLT)

Charged when property is purchased or transferred (in England and Northern Ireland), and the purchaser/transferee company is responsible for the tax . Intra-group relief can eliminate or reduce this.

3

Corporation Tax

Levied on trading profits. Group relief allows you to surrender losses across companies.

Benefits of Qualifying for Group Tax Reliefs

If your group meets the tax criteria, you can:

- Transfer property/assets between group companies without triggering SDLT or CGT
- Share trading losses between profitable and loss-making companies
- Reorganise ownership structures efficiently

Key Conditions to Access Group Tax Reliefs

To qualify, your group must:

- Meet the 75% ownership and control rules
- Be a genuine commercial group, not an artificial tax-motivated arrangement
- Maintain proper documentation and comply with anti-avoidance legislation

Think of it this way: transferring a property from one group company to another may not attract SDLT or CGT—only if your group qualifies under the relevant legislation and follows the correct procedures.

Capital Gains Tax (CGT) Group Relief

Under UK tax law, intra-group transfers of assets are generally tax neutral. The policy is that a group of companies should be treated as a single economic entity, so transfers within the group incur no immediate gain or loss. In practice, this is achieved by the nil gain/nil loss rule: transfers of assets between companies in the same 75%-shareholding group are treated as on a "no gain/no loss" basis. (This rule comes from Chapter 5, Part 5 of TCGA 1992, re-enacted in CTA 2009 and CTA 2010.) In effect, the transferee company takes the transferor's base cost and the transferor's indexation uplift.

1. **Group definition:** A "group" for CGT typically requires a 75% shareholding (direct or 51% effective control if the shareholding is indirect) and corresponding beneficial ownership of profits and assets, mirroring the company-law concept of control. (HMRC's Capital Gains Manual notes that a 75% interest generally gives "control" and triggers the group regime.)

2. **Nil gain on transfer:** Thus, if Company A (a UK resident) transfers a property or shares to Company B (a 75% UK resident company), no gain or loss arises for CGT purposes at that time. The gain is deferred until the asset leaves the group (for example, when B sells the property to an outside party).

3. **Roll-over of losses:** Similarly, allowable losses on transfers into the group are deferred; the transferee company assumes the historical cost, and any loss is crystalised only on a later disposal outside the group.

4. **Group reorganisation provisions:** Other TCGA 1992 provisions (such as share reorganisation rules and rollover relief) also interact with group status, but the core principle remains: transfers between group members are generally tax neutral. (For example, a share-for-share exchange under TCGA 1992 s.135-138 can be cleared with HMRC if properly applied, securing tax neutral treatment.)

In summary, CGT group relief ensures that intra-group dealings do not trigger current gains. Group transfers must meet the 75% common ownership tests; HMRC guidance confirms that qualifying group companies can defer gains on such transactions. The treatment of tax neutral treatment of chargeable assets is automatic and an election is not required.

Stamp Duty (Shares) and SDLT (Land) Group Relief

Stamp Duty on Shares

For transfers of corporate share capital, Finance Act 1930 s.42 (as amended) provides group relief. In practice, this means a transfer of shares between associated companies is exempt from stamp duty if the statutory conditions are met. The conditions include:

Associated bodies corporate: One company must beneficially own at least 75% of the ordinary share capital of the other (or a common third company must hold 75% of both). In addition, the transferring company must be beneficially entitled to ≥75% of the profits and assets available to equity holders of the other company (essentially the same 75% tests as CTA 2010/S152 on group membership).

Claim procedure: The acquiring company must make a claim under FA 1930 s.42 (amended by FA 1967 s.27 and FA 2000 s.123) and obtain HMRC Stamp Office approval. HMRC's Stamp Taxes guidance explains that the instrument affecting the transfer is not chargeable provided a valid s.42 claim is made and HMRC confirms relief. Typically, the buyer writes to the Stamp Office with details of the transfer and group structure, and a stamped "relief certificate" is issued.



Stamp Duty Land Tax

For transfers of UK land or property, a similar intra-group relief exists under Schedule 7 of Finance Act 2003 (FA 2003) . If a company transfers land to another company in the same group (75% ownership), SDLT group relief can apply at 0%, subject to formal claim. Key points are:

1 **Group definition:** The same 75% ownership/benefits tests apply: both companies must be in the same group under CTA10/S152 and be "UK related" (resident or carrying on a UK property business) at the effective date of transaction.

2 **Claim on return:** A group relief claim is made on the SDLT return (form SDLT1) by entering relief code 12. No separate letter is needed (unlike stamp duty). HMRC treats it as self-assessed: if the return is otherwise complete, the SDLT5 certificate for title registration will be issued. However, HMRC may later query the claim. Thus, the transferring companies must be confident that the group relief conditions are met.

3 **Targeted Anti-avoidance rule (TAAR):** Finance Act 2003 Sch.7 introduced TAAR , From 20 July 2005 in accordance to which SDLT group relief is denied if the transaction is not for bona fide commercial purposes or forms part of an arrangement whose main purpose (or one of the main purposes) is tax avoidance. The definition of "tax" in this rule explicitly includes stamp duties, SDLT, CGT and Corporation Tax. In other words, HMRC will deny group relief if a transfer is primarily tax-driven. (HMRC examples show acceptable scenarios – e.g. restructuring before a share sale or pooling property income – but taxpayers should tread carefully.)

In short, SDLT group relief allows a land transfer within a 75% group at 0% SDLT, claimed on the SDLT return. The tax code's TAAR limits abuse: relief is available only for genuine commercial reorganisations. Similarly, Stamp Duty (shares) group relief requires a formal claim under FA 1930 s.42. In practice, UK groups use these reliefs when consolidating or reshuffling assets but must document the group structure (shareholding schedules) and purpose to satisfy HMRC.

Corporation Tax Group Loss Relief

Under CTA 2010, trading losses and certain other deficits can be surrendered between 75%-owned group companies in the same accounting period. The corporation tax group relief rules are as follows:

Qualifying losses/amounts: A surrendering company, i.e. the company which transfers its losses, may transfer to a 75%-related claimant company, i.e. the company which claims the transferred losses from surrendering companies, its unused:

a. trading losses;
b. excess capital allowances over income;
c. non-trading deficits on loan relationships;
d. excess charitable donations;
e. excess UK property business losses;
f. excess management expenses;
g. excess deficits on intangible fixed assets. (These categories correspond to CTA10/S99–S104.)

The full amount can be surrendered for items (a)–(c), but for items (d)–(g) only the portion above the "profit-related" threshold can be surrendered.

Group Conditions: To qualify, both companies must satisfy CTA 2010 group tests: one must be a 75% subsidiary of the other (directly or through a chain), and the companies must be "UK related" (typically UK resident or trading via a UK permanent establishment). (For example, since 2016 a UK land-dealing profit also makes a foreign company UK-related; since 2020 UK property companies count as "UK related".) CTA 2010/S152 and related sections formalise these ownership and beneficial-entitlement tests.

Maximum claim: The maximum group relief claim is the least of:

i. the surrendering company's available surrenderable losses/amounts, and
ii. the claimant's total profits (after adjustments) for the period.

HMRC notes that matching is done for the overlapping period if accounting dates differ (see below).

Accounting periods: Companies in a group need not have identical year-ends. Special rules (CTA/S138–142) apportion profits and losses to the overlapping period during which both companies were in the group. In practice, aligning accounting periods is often simpler, but if dates differ HMRC pro-rates the losses to the common period.

Claim process: Group relief is claimed on the corporation tax return (CT600). The supplementary CT600C form must list each loss surrender (company name, period, tax reference, amount surrendered). A separate notice of consent from each surrendering company is normally required (unless using the "simplified arrangement" of CTA/S105, which generally applies when one company holds 75% directly). In lieu of separate letters, the CT600C itself may serve as consent if completed by an authorized person. Crucially, since 27 Oct 2021 losses of a non-resident company cannot be surrendered (except losses of a UK permanent establishment.

Group loss relief example: A UK holding company (100% owner) has a £100k trading loss. Its wholly owned subsidiary has £80k taxable profit. The subsidiary can claim £80k of the loss, reducing its CT bill to nil (the remaining £20k is kept in the holding company or carried forward). Without a group structure, the subsidiary company would be taxed on its full £80,000 profit, while the holding company with the £100,000 loss would only be able to offset it against its own future profits.



Accounting Consolidation and Year-End Alignment

From a financial reporting perspective, a parent company must generally prepare consolidated accounts including its subsidiaries. Under IFRS 10, any entity that controls one or more others must present consolidated financial statements. UK GAAP (FRS 102) has equivalent consolidation requirements. In practice, this means that if a holding company owns (directly or indirectly) the majority voting shares of subsidiaries, it must consolidate their assets, liabilities and results as one group entity. (Some exemptions exist under Company Law for "small group" reporting or if the parent is itself a subsidiary.)

For tax purposes, there is no requirement to align year-ends, but alignment can simplify tax planning. As noted, CTA 2010/S138 handles the overlapping period apportionment. HMRC explicitly states it is not necessary for group companies to have identical accounting periods. However, when periods differ, the shared-time rule applies; trading profits and losses must be apportioned to the time when both companies were in the group. It is usually advisable to choose a common year-end (e.g. 31 March or 31 Dec) to avoid complex calculations.

In summary, consolidated accounts are prepared by accounting standards, and tax accounts may be consolidated for computing total group taxable profits, but CTA allows different year-ends with prorating. Aligning dates of the Subsidiary, and holding company structures can therefore ease both accounting and tax compliance, though HMRC rules ensure losses are fairly matched even if misaligned.



Corporation Tax Rates and Thresholds

Having explored the key tax reliefs available to groups, including capital gains, stamp duty, loss relief, and consolidation benefits, we now turn to another crucial area: how corporation tax thresholds and rates are affected by having multiple companies under common control.

Since the 2023 changes to UK corporation tax, groups must navigate a tiered rate system where the availability of the lower 19% rate depends on company structure. The rules on associated companies and threshold division can significantly impact the tax cost for each group member and, in turn, shape how you structure your group.

UK corporation tax changed in 2023. Profits up to £50,000 attract a small profits rate of 19%, while profits above £250,000 pay the main rate of 25%. Profits between £50,000 and £250,000 are subject to marginal relief, yielding an effective rate that scales from 19% up to 25% (using a fraction of 3/200). These thresholds apply to a 12-month accounting period; for shorter periods, the £50,000 and £250,000 limits are time-pro-rated. Importantly, for groups, each "active" company worldwide effectively shares in these thresholds.

Definition of Associated Companies

Under CTA 2010, a company is "associated" with another if:

One company has control of the other **OR** Both are under the control of the same person(s)

Key definitions and rules:

- "Control" follows the close company rules (CTA 2010 s.450–451) – essentially:



The power to secure a majority of share capital | **Voting power** | **Income** | **Assets**

- Attribution of rights:

1. Rights and powers held indirectly (e.g., through nominees, related companies, or associates) are attributed to the individual or company.

2. A person's spouse, civil partner, or family members are defined as their associates, so control can be aggregated through personal relationships.

- Substantial commercial interdependence:

  Even without direct control, companies are treated as associated if they have substantial commercial interdependence, such as:



Sharing premises



Sharing equipment



Sharing customers



Having intertwined financial arrangements

In practice, any common controllers (individuals or groups) will create association and trigger the rules.

Identifying and Counting Associated Companies

To determine the number of associates (N), consider all active companies worldwide linked by the control tests above. HMRC guidance clarifies that if a company is associated with any part of the accounting period, it counts as an associate for the whole period. Likewise, two different companies, each associated at different times in the year, are each counted separately. Inactive companies are generally ignored: wholly dormant companies or non-trading holding companies meeting CTA 10/S26 conditions do not count as associates. In summary, count every trading or active company under the same control rules, even if association arises late or ends early in the year.

Identifying and Counting Associated Companies

Once you have N associated companies, the £50,000 lower limit and £250,000 upper limit for Corporation Tax purposes are divided by (N + 1) that is, the company itself plus N associates.

$$\text{Lower limit} = \frac{£50{,}000}{(N + 1)}$$

$$\text{Upper limit} = \frac{£250{,}000}{(N + 1)}$$

For example, in a group of four companies (A, B, C, and D), when Company A calculates its tax liability, it must take into account its three associated companies (i.e. N = 3). As a result, the corporation tax thresholds are divided by 4, and the limits become:

$$\frac{£50{,}000}{4} = £12{,}500 \text{ (lower limit)}$$

$$\frac{£250{,}000}{4} = £62{,}500 \text{ (upper limit)}$$

If the accounting period is shorter than 12 months, these adjusted thresholds are further time apportioned.

Thus, each company in an associated group effectively shares the small profits allowance. In other words, each active company is entitled only to a proportion of the thresholds, which prevents multiple companies from each claiming the full £50,000 allowance.



Impact on Marginal Relief

Marginal relief still applies to profits between the adjusted limits, ensuring a smooth tax transition from 19% up to 25%. The statutory formula (CTA 10/S18B) uses the fraction 3/200 multiplied by (upper limit minus augmented profits) and pro-rated by profit. With associates, the same formula is used but the divided lower and upper limits are substituted. The result is that the margin zone (where the effective rate between 19%–25%) can be much narrower. For instance, a £100,000 profit with no associates falls midway in the relief zone (effective rate ~22.75%), but the same profit with three associates exceeds the reduced upper limit and is simply taxed fully at 25%. In all cases the marginal rate and fraction (3/200) remain as set by Parliament, only the thresholds in the calculation change.

A company's reduced tax thresholds shrink as more associates are counted. In practice this means a group with, say, three active companies (four including the subject company) divide the £50k/ £250k thresholds by 4 (giving £12.5k/£62.5k). Profits above the lowered lower limit trigger marginal relief up to the lowered upper limit, beyond which the 25% main rate applies. Conversely, a standalone company (not associates) enjoys the full £50k small profits threshold.

Practical Examples



Standalone vs Group: A single company with £60,000 profit (not associates) pays CT at 19% on the first £50k and gradually up to 25% on the rest (via marginal relief). Its CT liability is about £12,150 (≈20.3% overall). If instead it has three associates, its thresholds drop to £12,500 and £62,500. Now £60k lies above the new lower limit but below the upper, so most profits are taxed near 25% – liability rises to about £14,963. Thus, associates materially raise the tax bill on the same profit.



Split Profits Strategy: Absent from the rules, a business making £120k profit might split into three companies with £40k each, paying only 19% on each (by treating them as separate small companies). The association rules prevent this: if those companies are under common control, the £50k is split (e.g. to £16.7k each for four companies), so all profits quickly exceed the threshold.



Accounting Period Proration: If a new group forms part-way through a year, thresholds are prorated by days. For example, a 9 month period has £37,500/£187,500 limits before considering associates. If one associate existed throughout, these would be divided by 2 (one plus associate) to £18,750/£93,750.



HMRC Advance Clearance and Anti-Avoidance Provisions

Statutory Clearance

For large or complex reorganisations, companies may apply to HMRC for an advanced statutory clearance under the relevant tax provisions. The HMRC Clearance and Counteraction Team can confirm whether proposed transactions meet statutory conditions. Relevant clearance avenues include:

CGT share exchanges/reconstructions: Under TCGA 1992, share-for-share exchanges (s.138(1), s.135-136) and business transfers (s.139(5)) can be cleared. (HMRC's application guidance lists TCGA sections 135–139 for share exchanges and business transfers.)

Corporate reorganisations: Transactions under CTA 2009/10 (such as s.831 asset transfers for IFRS, or s.1091 demergers) have clearance routes. For example, share exchanges involving intangible fixed assets (CTA 2009 s.831) and statutory demergers (CTA 2010 s.1091) are specified for clearance.

Other schemes: HMRC also clears mergers of funds (TCGA s.103K), share purchases (CTA s. 1044), and loan/derivative transfers (CTA ss.426–427, 677–686) among other.

Applying for clearance ***(via reconstructions@hmrc.gov.uk)*** is voluntary but strongly recommended for any uncertain group deal. It gives assurance that tax reliefs will be granted if conditions are satisfied, avoiding later disputes. Taxpayers must detail the transaction steps, share ownership, and tax effects.

Anti Avoidance

Group structures attract targeted and general anti-avoidance rules. The TAARs mentioned above (e.g. FA2003 Sch.7 for SDLT) explicitly prevent relief on artificial arrangements. Beyond sector-specific TAARs, the broad General Anti-Abuse Rule (GAAR) (Finance Act 2013) applies to corporation tax, capital gains tax, SDLT, etc., for any arrangement entered on or after 17 July 2013. GAAR empowers HMRC to counteract "abusive" schemes that achieve tax advantages. In practice, any complex intra-group reorganisation should be justified by clear commercial reasons, not primarily by tax savings, to avoid GAAR challenges.

Finally, companies should be mindful of disclosure requirements for tax planning (DOTAS) and transfer pricing rules if applicable. Mis-declaring relief claims (e.g. overstating group surrenders or SDLT relief) can lead to penalties for negligence or fraud. In fact, HMRC stresses that SDLT group claims are "self-assessed" and that errors may incur penalties. Likewise, under CTA, inaccurate loss claims or missing consents can be corrected by HMRC and may trigger a surcharge.

Company Formation and Structuring (SPVs, Holding Companies, Subsidiaries)



Property structures: In UK property investment, it is common to hold each real estate asset in a separate Special Purpose Vehicle (SPV) – a private limited company (Ltd). This isolates liabilities (e.g. rental obligations or development debts) within one entity. A parent-holding company (also typically UK-resident) can own multiple SPVs. This structure centralises finance and cash flows: the SPVs pay dividends up to the holding, which in turn may pay dividends to shareholders. Because UK property companies face Corporation Tax (currently 25%), many investors use companies to benefit from lower CT rates on retained profits, and to simplify eventual exit via tax-neutral group transfers or share sales.



Entity choice: Only bodies corporate qualifies for the above group reliefs. In practice, this means using UK companies (Ltd or Plc, unlimited or guarantee companies). HMRC guidance explicitly defines "body corporate" to include UK companies (limited or unlimited). Partnerships or LLPs do not count as bodies corporate. Thus, an LLP cannot claim stamp duty or SDLT group relief on an intra-group transfer, placing LLPs at a disadvantage for asset transfers. For new structuring, UK Property Accountants generally advise using companies to preserve group relief opportunities.

Ownership requirements: To obtain group status, one company must hold at least 75% of ordinary shares and beneficial entitlements of the other. In practice this often means 100% holdings. If intermediate companies exist, beneficial ownership is traced down the chain (CTA/S1154, S1156). The holding structure should be maintained (e.g. no external share transfers) to keep group relief alive. In each SPV and holding co, make sure share classes and articles do not upset the 75% tests.

Tax planning considerations: Ownership via a group facilitates tax-neutral reorganisations. For instance, instead of selling a property asset outright, a company might transfer it to a group subsidiary (no tax on transfer) and then sell the subsidiary's shares (with CGT calculated on the shares, potentially covered by the substantial shareholding exemption). UK Property Accountants often evaluate whether to acquire assets via companies (to benefit from group relief) or personally (to use personal allowances); generally, holding property companies appeals to investors seeking growth and reinvestment.

Special-purpose subsidiaries: Companies may set up subsidiaries to take on specific activities (development, management, etc.). Subsidiaries can trade or hold IP, isolating risk. For VAT, note that companies in a corporate group can elect a VAT group (one VAT number) if >50% common control, which simplifies VAT on inter-company services. Similarly, PAYE and workplace pensions can be operated group wide. These are administrative choices that can reduce group overhead.



Compliance Obligations and Documentation

Proper documentation is essential for group tax compliance. Key obligations include:



Tax returns and forms:

- Each company must file annual CT600 tax returns.
- If claiming group relief (losses or consortium relief), complete the CT600C supplementary pages as noted.
- Enter surrendered losses (with each surrendering company's details) and carried the totals to the CT600 form.
- Attach copies of any required notices of consent from surrendering companies (unless using simplified consent).
- For SDLT, mark code 12 on the land transaction return.
- For Stamp Duty (shares), submit the transfer document together with a letter of claim to the Stamp Office under FA1930 s.42.



Group relief consents: Keep written "notice of consent" (or board resolutions) from each company surrendering losses. HMRC requires the claimant's return to be accompanied by evidence that the surrendering company agreed to the relief. In practice, UK Property Accountants advises maintaining a file with all intra-group agreements, board minutes and share sale instruments to prove group membership and intent.

Annual accounts and filings:

- Each group company must prepare statutory accounts and file them at Companies House.
- A UK group holding company will typically include consolidated accounts (unless it qualifies for group exemption) in accordance with the Companies Act 2006 and accounting standards.
- Compliance also includes filing confirmation statements (annual returns) and updating the register of Persons with Significant Control (PSC) if group holdings change.
- Tax payment & reporting deadlines: Standard CT payment deadlines apply for each company.
- If group companies use losses, the holding/co must wait until claim is done on tax returns (often 9 months and one day after year-end).
- SDLT and stamp filings must be made within statutory time limits (14 days for SDLT, 30 days for Stamp Duty) with the appropriate relief code or claim.



Other obligations: For property companies, file Annual Tax on Enveloped Dwellings (ATED) returns if applicable (for residential property >£500k). If VAT-grouped, file one group VAT return annually. For payroll, run PAYE for each company (group PAYE arrangements are not permitted). All companies must keep full records of transactions, including invoices for inter-company charges.

In all cases, careful record-keeping underpins a valid group claim. For example, evidence of the 75% ownership (share registers or share certificates), correspondence documenting transfers, and legal documents for each transaction should be preserved. UK Property Accountants recommends preparing a "group relief schedule" each year that reconciles losses surrendered and profits claimed for each company, ensuring consistency with the tax returns.

Sector-Specific Structuring Considerations

While the above principles apply broadly, different industries have unique concerns when structuring groups:

1

Property Investment and Development: Investors should consider Non-Resident CGT rules: since April 2019 UK tax applies to gains on any UK land/property disposal by non-residents. Holding property in a UK company can shelter gains (the company is UK-resident); however, selling the company's shares instead may trigger UK CGT on the shareholder if the company's value is mainly UK property. In practice, groups often plan ahead of events (e.g. rebasing events or changes in law). HMRC has indicated that transferring UK property into a group before regime changes (such as the April 2019 expansion of UK CGT) is accepted provided it's commercially motivated. Additionally, high-value residential properties face ATED (annual charges). Groups owning homes above thresholds must file ATED returns and claim relief via corporation tax for rental income. Tax depreciation (capital allowances) and VAT (e.g. the option to tax or use margin schemes) are important: property development companies may incur VAT and should plan for VAT grouping if appropriate.

2

Construction: Construction companies in a group may want to split roles (one company for contracting, another for supply of materials, etc.). The Construction Industry Scheme (CIS) applies to contractors working in building operations; each company must register and operate CIS independently. For VAT, companies can elect to form a VAT group if control criteria are met, which eliminates VAT on inter-company services. Construction groups often face cash-flow timing issues, so internal financing must respect transfer pricing and genuine loan terms. Also, property built for sale is treated as trading stock: group sales of newly-built properties between group companies are generally outside SDLT (as they are transfers of trading stock, not land). (However, HMRC will check that construction remains a genuine trade.) Group relief can be used to offset losses from development across profitable projects. Structurally, UK Property Accountants notes that developers sometimes use a holding company to own shares of trading subsidiaries that develop and sell properties, enabling pooling of profits and losses.

3

Hospitality and Leisure: Hotel and leisure groups often separate real estate from operations. For instance, one company may own the hotel property (land and building), while another operates the hotel business. This limits trading risk exposure for the real estate asset. When reorganising, transferring a lease or hotel business between group companies can often be done without triggering SDLT (if it meets "conveyance of a business" relief) or with group relief if structured properly. VAT is also a factor: hotels usually register and charge VAT on services, so a VAT group can simplify internal supplies. Hospitality groups may also engage in franchising or licensing (e.g. branded hotels); intellectual property can be held in a separate subsidiary, transferring rights via internal agreements. If properties are residential (e.g. serviced apartments), ATED may apply as noted above. Labour intensity in hospitality can lead groups to centralize payroll or HR functions in a service company, but careful transfer pricing documentation is needed for inter-company service charges.

Across all sectors, the guiding principles remain: use UK companies to leverage group tax reliefs, isolate risks with SPVs, and document every intra-group transaction. Each sector's special tax rules (e.g. VAT construction margin schemes, CIS, ATED for residences, VAT on hospitality) should inform the group design. For example, carrying property outside the UK in a non-resident company may save UK tax on first sale, but the group must weigh that against losing UK CT group relief and facing US tax when finally disposing. UK Property Accountants always advises reviewing sector-specific reliefs (like capital allowances for plant/furniture in hotels, or reliefs for holiday lettings) when structuring a group, to ensure the holding/operating entities are optimally arranged.



Conclusion

Proper group structuring is a powerful tool for UK companies and property investors, but it demands technical precision. Using the reliefs under TCGA and CTA, groups can defer CGT, eliminate stamp taxes, and offset profits with losses, effectively reducing the group's overall tax burden. However, the rules require strict compliance: ownership tests (75% group), UK residence criteria, and bona fide commercial purposes must be satisfied. As always, any planned restructure should consider not only the tax code but also accounting standards, commercial goals, and compliance obligations. When in doubt, seek HMRC clearance under the statutory provisions (for example, TCGA s.135 or CTA s.1091) to secure certainty.

UK Property Accountants emphasizes that tax-efficient structuring goes hand in hand with sound corporate governance. Thorough documentation, timely filings, and a clear audit trail will ensure that the group can confidently claim the reliefs provided by law. The references cited above (HMRC manuals and legislation) should guide practitioners in applying the rules correctly. With careful planning and professional advice, a company group can leverage these provisions to support growth while remaining fully compliant with UK tax law.

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