**Example**
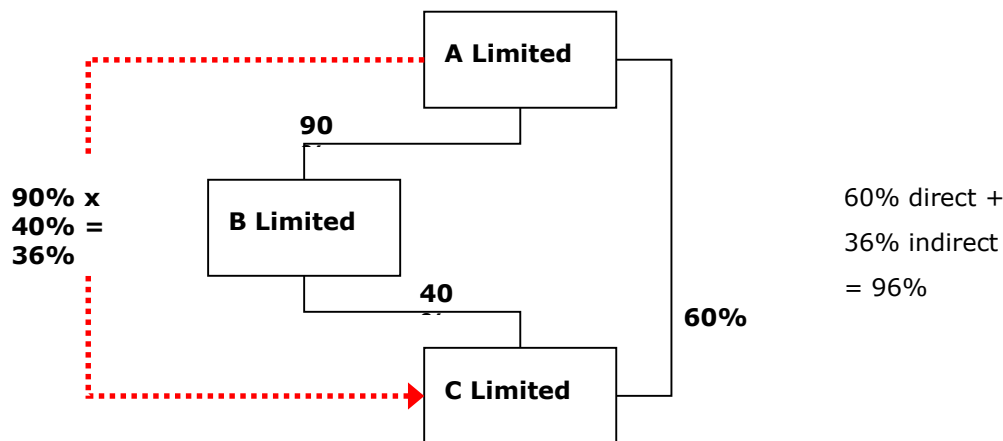


A Limited directly owns 90% of the ordinary share capital of B Limited, and 60% of the ordinary share capital of C Limited. B Limited directly owns 40% of the ordinary share capital of C Limited. For the purposes of S151(4) assume all entitlements follow share capital.

Without the inclusion of indirect ownership A and B are in the same group (because B is a 75%+ subsidiary of A), but C would not be part of the group (because it does not form the relationship of a 75% subsidiary nor the common 75% subsidiary of a third company). To remedy this the legislation looks at indirect ownership and combining multiple chains of ownership.

Ss1155 and 1156 treat A as indirectly owning the ordinary share capital owned (directly or indirectly) by B, including its shares in C. Here, the formula would be;

Fraction of share capital owned by A in B x Fraction of share capital owned by B in C, or

90% x 40% = 36%

So A directly owns 60% of C, and indirectly owns 36% of C (through B). S1157 then require that these fractions be added together to give A's total holding of C: 96%.

96% is sufficient to create a group relationship, so A, B, and C are all in a group for group relief purposes.

Registered industrial and provident societies can be subsidiaries for the purpose of group relief, as well as owners of subsidiaries.

In deciding whether a company is a '75% subsidiary', shareholdings owned directly or indirectly in companies whose shares are held on trading account, for example by a dealer, cannot be taken into account (CTA10/S151(3)).