

Inland Revenue Mutual Trading and Member's Organisations

When a fixed group of people or businesses come together, to put up money to achieve a common goal, these groups are known as mutual or member's organisations.

They are recognised as such by the Inland Revenue, and do not pay tax on any surplus monies.

The examples below should help explain what they are: -

- A group of businesses who donate into a fund to pay for legal costs on behalf of the whole group.
- A group of farmers who operate a grain silo for all the farmers in the group.
- A group of sports activity clubs who provide common facilities for their members.

Each member contributes to the fund on a yearly basis. At the end of that year, any excess of income over expenditure is either carried forward to fund the following year, or redistributed back to the contributors.

The Inland Revenue requires that the organisations are registered and a CT600 (Short Version) is still required to be completed.

Mutual Organisations can opt to receive any interest gross on funds, or to claim a refund from the Inland Revenue when filing the CT600 (box 84 and 85)

On the face of the CT600 it asks for "type of company" which is a type 6.

Registration is required, even if all the funds are used up by the year end.

There are currently some issues with groups that have been set up to sell Insurance to their members (Residential Landlords' Associations). In this case the insurance has been sold through a third party and the Inland Revenue deems that the mutual status has been broken.

Care must always be taken to write to the Inland Revenue detailing all the activities of the group, and requesting a confirmation that mutual status applies. Where changes are made to activities it is essential to update that confirmation.