

Status: Point in time view as at 21/07/2009.

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SCHEDULES

[^{F1}SCHEDULE 7AC

EXEMPTIONS FOR DISPOSALS BY COMPANIES WITH SUBSTANTIAL SHAREHOLDING

Textual Amendments

- F1** Sch. 7AC inserted (with effect in accordance with s. 44(3)(4) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 8 para. 1](#)

PART 3

REQUIREMENTS TO BE MET IN RELATION TO INVESTING COMPANY AND COMPANY INVESTED IN

Requirements relating to the investing company

- 18 (1) The investing company must—
- (a) have been a sole trading company or a member of a qualifying group throughout the period (“the qualifying period”)—
 - (i) beginning with the start of the latest twelve-month period by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) is met, and
 - (ii) ending with the time of the disposal, and
 - (b) be a sole trading company or a member of a qualifying group immediately after the time of the disposal.
- (2) For this purpose a “qualifying group” means—
- (a) a trading group, or
 - (b) a group that would be a trading group if the activities of any group member that is not established for profit were disregarded to the extent that they are carried on otherwise than for profit.
- In determining whether a company is established for profit, no account shall be taken of any object or power of the company that is only incidental to its main objects.
- (3) The requirement in sub-paragraph (1)(a) is met if the investing company was a sole trading company for some of the qualifying period and a member of a qualifying group for the remainder of that period.
- (4) The requirement in sub-paragraph (1)(a) is treated as met if at the time of the disposal—
- (a) the investing company is a member of a group, and

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- (b) there is another member of the group in relation to which that requirement would have been met if—
 - (i) the subject matter of the disposal had been transferred to it immediately before the disposal in circumstances in which section 171(1) (transfers within a group) applied, and
 - (ii) it had made the disposal.
- (5) If the disposal is by virtue of section 28(1) or (2) (asset disposed of under contract) treated as made at a time before the asset is conveyed or transferred, the requirements in sub-paragraph (1)(a) and (b) must also be complied with as they would have effect if the references in those provisions and sub-paragraph (4) to the time of the disposal were to the time of the conveyance or transfer.
- (6) In this paragraph a “sole trading company” means a trading company that is not a member of a group.

Requirements relating to the company invested in

- 19
- (1) The company invested in must—
 - (a) have been a qualifying company throughout the period—
 - (i) beginning with the start of the latest twelve-month period by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) is met, and
 - (ii) ending with the time of the disposal, and
 - (b) be a qualifying company immediately after the time of the disposal.
 - (2) For this purpose a “qualifying company” means a trading company or the holding company of a trading group or a trading subgroup.
 - (3) If the disposal is by virtue of section 28(1) or (2) (asset disposed of under contract) treated as made at a time before the asset is conveyed or transferred, the requirements in sub-paragraph (1)(a) and (b) must also be complied with as they would have effect if the references there to the time of the disposal were to the time of the conveyance or transfer.

Meaning of “trading company”

- 20
- (1) In this Schedule “trading company” means a company carrying on trading activities whose activities do not include to a substantial extent activities other than trading activities.
 - (2) For the purposes of sub-paragraph (1) “trading activities” means activities carried on by the company—
 - (a) in the course of, or for the purposes of, a trade being carried on by it,
 - (b) for the purposes of a trade that it is preparing to carry on,
 - (c) with a view to its acquiring or starting to carry on a trade, or
 - (d) with a view to its acquiring a significant interest in the share capital of another company that—
 - (i) is a trading company or the holding company of a trading group or trading subgroup, and
 - (ii) if the acquiring company is a member of a group, is not a member of that group.

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- (3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the company starts to carry on the trade, as soon as is reasonably practicable in the circumstances.
- (4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—
 - (a) such as would make that company a 51% subsidiary of the acquiring company, or
 - (b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the two companies members of the same group.

Meaning of “trading group”

- 21 (1) In this Schedule “trading group” means a group—
- (a) one or more of whose members carry on trading activities, and
 - (b) the activities of whose members, taken together, do not include to a substantial extent activities other than trading activities.
- (2) For the purposes of sub-paragraph (1) “trading activities” means activities carried on by a member of the group—
- (a) in the course of, or for the purposes of, a trade being carried on by any member of the group,
 - (b) for the purposes of a trade that any member of the group is preparing to carry on,
 - (c) with a view to any member of the group acquiring or starting to carry on a trade, or
 - (d) with a view to any member of the group acquiring a significant interest in the share capital of another company that—
 - (i) is a trading company or the holding company of a trading group or trading subgroup, and
 - (ii) is not a member of the same group as the acquiring company.
- (3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the group member in question starts to carry on the trade, as soon as is reasonably practicable in the circumstances.
- (4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—
- (a) such as would make that company a member of the same group as the acquiring company, or
 - (b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the joint venture company a member of the same group as the acquiring company.
- (5) For the purposes of this paragraph the activities of the members of the group shall be treated as one business (with the result that activities are disregarded to the extent that they are intra-group activities).

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Meaning of “trading subgroup”

- 22 (1) In this Schedule “trading subgroup” means a subgroup—
- (a) one or more of whose members carry on trading activities, and
 - (b) the activities of whose members, taken together, do not include to a substantial extent activities other than trading activities.
- (2) For the purposes of sub-paragraph (1) “trading activities” means activities carried on by a member of the subgroup—
- (a) in the course of, or for the purposes of, a trade being carried on by any member of the subgroup,
 - (b) for the purposes of a trade that any member of the subgroup is preparing to carry on,
 - (c) with a view to any member of the subgroup acquiring or starting to carry on a trade, or
 - (d) with a view to any member of the subgroup acquiring a significant interest in the share capital of another company that—
 - (i) is a trading company or the holding company of a trading group or trading subgroup, and
 - (ii) is not a member of the same group as the acquiring company.
- (3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the subgroup member in question starts to carry on the trade, as soon as is reasonably practicable in the circumstances.
- (4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—
- (a) such as would make that company a member of the same subgroup as the acquiring company, or
 - (b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the two companies members of the same group.
- (5) For the purposes of this paragraph the activities of the members of the subgroup shall be treated as one business (with the result that activities are disregarded to the extent that they are intra-subgroup activities).

Treatment of holdings in joint venture companies

- 23 (1) This paragraph applies where a company (“the company”) has a qualifying shareholding in a joint venture company.
- (2) In determining whether the company is a trading company—
- (a) its holding of shares in the joint venture company shall be disregarded, and
 - (b) it shall be treated as carrying on an appropriate proportion—
 - (i) of the activities of the joint venture company, or
 - (ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the company is a member of a group and the joint venture company is a member of the same group.

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- (3) In determining whether the company is a member of a trading group or the holding company of a trading group—
- (a) every holding of shares in the joint venture company by a member of the group having a qualifying shareholding in that company shall be disregarded, and
 - (b) each member of the group having a qualifying shareholding in the joint venture company shall be treated as carrying on an appropriate proportion—
 - (i) of the activities of the joint venture company, or
 - (ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the joint venture company is a member of the group.

- (4) In determining whether the company is the holding company of a trading subgroup—
- (a) every holding of shares in the joint venture company by the company and any of its 51% subsidiaries having a qualifying shareholding in the joint venture company shall be disregarded, and
 - (b) the company and each of its 51% subsidiaries having a qualifying shareholding in the joint venture company shall be treated as carrying on an appropriate proportion—
 - (i) of the activities of the joint venture company, or
 - (ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the joint venture company is a member of the same group as the company.

- (5) In sub-paragraphs (2)(b), (3)(b) and (4)(b) “an appropriate proportion” means a proportion corresponding to the percentage of the ordinary share capital of the joint venture company held by the company concerned.
- (6) In this paragraph “shares”, in relation to a joint venture company, includes securities of that company or an interest in shares in or securities of that company.
- (7) For the purposes of this paragraph the activities of a joint venture company that is a holding company and its 51% subsidiaries shall be treated as a single business (so that activities are disregarded to the extent that they are intra-group activities or, as the case may be, intra-subgroup activities).

Meaning of “joint venture company” and “qualifying shareholding”

- 24 (1) For the purposes of this Schedule a company is a “joint venture company” if, and only if—
- (a) it is a trading company or the holding company of a trading group or trading subgroup, and
 - (b) there are five or fewer persons who between them hold 75% or more of its ordinary share capital.

In determining whether there are five or fewer such persons as are mentioned in paragraph (b), the members of a group are treated as if they were a single company.

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- (2) For the purposes of this Schedule—
- (a) a company that is not a member of a group has a “qualifying shareholding” in a joint venture company if, and only if, it holds shares or an interest in shares in the joint venture company by virtue of which it holds 10% or more of that company’s ordinary share capital;
 - (b) a company that is a member of a group has a “qualifying shareholding” in a joint venture company if, and only if—
 - (i) it holds ordinary share capital of the joint venture company, and
 - (ii) the members of the group between them hold 10% or more of the ordinary share capital of that company.

Effect in relation to company invested in of earlier company reconstruction, demerger etc

- 25 The provisions of—
- (a) paragraph 14 (effect of earlier company reconstruction etc), and
 - (b) paragraph 15 (effect of earlier demerger),
- have effect in relation to the requirements of paragraph 19 (requirements in relation to company invested in) as they have effect in relation to the requirement of paragraph 7 (the substantial shareholding requirement).]

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