

Status: Point in time view as at 02/12/2019.

Changes to legislation: Taxation of Chargeable Gains Act 1992, Part 4 is up to date with all changes known to be in force on or before 16 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

[^{F1}SCHEDULE 7AC U.K.]

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 4 U.K.

INTERPRETATION

Meaning of “company”, “group and related expressions

- 26 (1) In this Schedule—
- (a) “company” has the meaning given by section 170(9); and
 - (b) references to a group, or to membership of a group, shall be construed in accordance with the provisions of section 170 read as if “51 per cent” were substituted for “75 per cent”.
- (2) References in this Schedule to a “subgroup” are to companies that would form a group but for the fact that one of them is a 51% subsidiary of another company.
- (3) In this Schedule “holding company”—
- (a) in relation to a group, means the company described in section 170 as the principal company of the group;
 - (b) in relation to a subgroup, means a company that would be the holding company of a group but for being a 51% subsidiary of another company.
- (4) In this Schedule “51% subsidiary” has the meaning given by [^{F2}Chapter 3 of Part 24 of CTA 2010].

In applying [^{F3}that Chapter] for the purposes of this Schedule, any share capital of a [^{F4}registered society (see section 1119 of that Act)] shall be treated as ordinary share capital.

- (5) References in this Schedule to a “group” or “subsidiary” shall be construed with any necessary modifications where applied to a company incorporated under the law of a country or territory outside the United Kingdom.

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Textual Amendments

- F2** Words in Sch. 7AC para. 26(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 269\(5\)\(a\)](#) (with Sch. 2)
- F3** Words in Sch. 7AC para. 26(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 269\(5\)\(b\)](#) (with Sch. 2)
- F4** Words in Sch. 7AC para. 26(4) substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014 \(c. 14\), s. 154, Sch. 4 para. 53](#) (with Sch. 5) (as amended (1.8.2014) by [Finance Act 2014 \(c. 26\), Sch. 39 paras. 7, 15](#))

Meaning of “trade”

- 27 In this Schedule “trade” means anything that—
- (a) is a trade, profession or vocation, within the meaning of the Income Tax Acts, and
 - (b) is conducted on a commercial basis with a view to the realisation of profits.

Meaning of “twelve-month period”

- 28 For the purposes of this Schedule a “twelve-month period” means a period ending with the day before the first anniversary of the day with which, or in the course of which, the period began.

Meaning of “interest in share”s

- 29 (1) References in this Schedule to an interest in shares are to an interest as a co-owner of shares.
- (2) It does not matter whether the shares are owned jointly or in common, or whether the interests of the co-owners are equal.

Meaning of “asset related to share”s

- 30 (1) This paragraph explains what is meant by an asset related to shares in a company.
- (2) An asset is related to shares in a company if it is—
- (a) an option to acquire or dispose of shares or an interest in shares in that company, or
 - (b) a security to which are attached rights by virtue of which the holder is or may become entitled to acquire or dispose of (whether by conversion or exchange or otherwise)—
 - (i) shares or an interest in shares in that company, or
 - (ii) an option to acquire or dispose of shares or an interest in shares in that company, or
 - (iii) another security falling within this paragraph, or
 - (c) an option to acquire or dispose of any security within paragraph (b) or an interest in any such security, or
 - (d) an interest in, or option over, any such option or security as is mentioned in paragraph (a), (b) or (c), or
 - (e) any interest in, or option over, any such interest or option as is mentioned in paragraph (d) or this paragraph.

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- (3) In determining whether a security is within sub-paragraph (2)(b), no account shall be taken—
- (a) of any rights attached to the security other than rights relating, directly or indirectly, to shares of the company in question, or
 - (b) of rights as regards which, at the time the security came into existence, there was no more than a negligible likelihood that they would in due course be exercised to a significant extent.
- (4) The references in this paragraph to an interest in a security or option have a meaning corresponding to that given by paragraph 29 in relation to an interest in shares.

[^{F5}Meaning of “qualifying institutional investor”

Textual Amendments

- F5** Sch. 7AC para. 30A and cross-heading inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 28\(5\)](#)

30A (1) In this Schedule “qualifying institutional investor” means a person falling within any of A to G below.

A Pension schemes

The trustee or manager of—

- (a) a registered pension scheme, other than an investment-regulated pension scheme, or
- (b) an overseas pension scheme, other than one which would be an investment-regulated pension scheme if it were a registered pension scheme.

“Investment-regulated pension scheme” has the same meaning as in Part 1 of Schedule 29A to the Finance Act 2004.

“Overseas pension scheme” has the same meaning as in Part 4 of that Act.

B Life assurance businesses

A company carrying on life assurance business, if immediately before the disposal its interest in the investing company is held as part of its long-term business fixed capital.

“Life assurance business” has the meaning given in section 56 of the Finance Act 2012.

Section 137 of that Act applies for the purposes of determining whether an interest forms part of the long-term business fixed capital of a company.

C Sovereign wealth funds etc

A person who cannot be liable for corporation tax or income tax (as relevant) on the ground of sovereign immunity.

D Charities

A charity.

E Investment trusts

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An investment trust.

F *Authorised investment funds*

An authorised investment fund which meets the genuine diversity of ownership condition throughout the accounting period of the fund in which the disposal is made.

“Authorised investment fund” has the same meaning as in the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964).

Regulation 9A of the Authorised Investment Funds (Tax) Regulations 2006 (genuine diversity of ownership) applies for this purpose.

G *Exempt unauthorised unit trusts*

The trustees of an exempt unauthorised unit trust, where the trust meets the genuine diversity of ownership condition throughout the accounting period of the trust in which the disposal is made.

Regulation 9A of the Authorised Investment Funds (Tax) Regulations 2006 (genuine diversity of ownership) applies for this purpose (treating references to an authorised investment fund as including an exempt unauthorised unit trust).

- (2) The Treasury may by regulations amend this Schedule so as to add or remove a person as a “qualifying institutional investor” (and may in particular do so by changing the conditions subject to which a person is a qualifying institutional investor).]

Index of defined expressions

- 31 In this Schedule the expressions listed below are defined or otherwise explained by the provisions indicated:

asset related to shares	paragraph 30
company	paragraph 26(1)(a)
company invested in	paragraph 1
[^{F6} Exempt unauthorised unit trust	paragraph 3B(7)]
51% subsidiary	paragraph 26(4) and (5)
group (and member of group)	paragraph 26(1)(b) and (5)
holding company	paragraph 26(3)
interest in shares	paragraph 29
investing company	paragraph 1
joint venture company	paragraph 24(1)
[^{F6} Qualifying institutional investor	paragraph 30A]
qualifying shareholding (in joint venture company)	paragraph 24(2)
subgroup	paragraph 26(2)
trade	paragraph 27

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trading company	paragraph 20
trading group	paragraph 21
trading subgroup	paragraph 22
twelve-month period	paragraph 28]

Textual Amendments

- F6** Words in [Sch. 7AC para. 31](#) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 28\(6\)](#)

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