

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2000, Part III. (See end of Document for details)*

SCHEDULES

SCHEDULE 15

THE CORPORATE VENTURING SCHEME

PART III

THE ISSUING COMPANY

Introduction

- 15 The issuing company is a qualifying issuing company in relation to the relevant shares if the requirements of this Part are met as to—
- (a) unquoted status (see paragraph 16);
 - (b) independence (see paragraph 17);
 - (c) individual-owners (see paragraph 18);
 - (d) partnerships and joint ventures (see paragraph 19);
 - (e) qualifying subsidiaries (see paragraph 20);
 - [^{F1}(ea) property managing subsidiaries (see paragraph 21A);]
 - (f) gross assets (see paragraph 22); ^{F2}...
 - [^{F3}(fa) number of employees (see paragraph 22A); and]
 - (g) trading activities (see paragraph 23).

Textual Amendments

- F1** Sch. 15 para. 15(ea) inserted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 20 para. 3**
- F2** Word in Sch. 15 para. 15(f) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(16)**
- F3** Sch. 15 para. 15(fa) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 16 para. 1(2)** (with [Sch. 16 para. 1\(4\)](#))

The “unquoted statu”s requirement

- 16 (1) The unquoted status requirement is that, at the time the relevant shares are issued, none of the issuing company’s shares, debentures or other securities is (and there are no arrangements in existence for any of them to be)—
- (a) listed on a recognised stock exchange,
 - (b) listed on a designated exchange in a country outside the United Kingdom, or
 - (c) dealt in outside the United Kingdom by such means as may be designated.

This is subject to sub-paragraph (3).

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- (2) The unquoted status requirement applies whether or not the company is resident in the United Kingdom.
- (3) The unquoted status requirement is treated as not met if at the time the relevant shares are issued—
 - (a) arrangements are in existence for the issuing company to become a subsidiary of another company (“the new company”) by virtue of an exchange of shares, or shares and securities, in relation to which paragraph 83 (certain exchanges resulting in acquisition of share capital by new company) applies, and
 - (b) arrangements have been made with a view to any of the new company’s shares, debentures or other securities being listed or dealt in as mentioned in paragraph (a), (b) or (c) of sub-paragraph (1).
- (4) For the purposes of sub-paragraph (1) “designated” means designated by an order (“a designation order”) made for the purposes of subsection (1B) of section 312 of the Taxes Act 1988 [^{F4}or section 184(3) of ITA 2007] (definition of “unquoted company” for the purposes of EIS).
- (5) Where the issuing company meets the unquoted status requirement when the relevant shares are issued, it shall not cease to meet it by virtue of—
 - (a) any designation order, or
 - (b) any order under section 841 of the Taxes Act 1988 (designation of exchange as “recognised stock exchange”),
made after that time.

Textual Amendments

F4 Words in Sch. 15 para. 16(4) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 394\(2\)](#) (with [Sch. 2](#))

The independence requirement

- 17 (1) The independence requirement is that—
 - (a) the issuing company is not, at any time during the qualification period relating to the relevant shares—
 - (i) a 51% subsidiary of another company, or
 - (ii) under the control of another company (or of another company and any other person connected with that other company), without being a 51% subsidiary of that other company, and
 - (b) no arrangements are in existence at any time during that period by virtue of which the company could become such a subsidiary or fall under such control (whether during that period or otherwise).
- (2) For the purposes of sub-paragraph (1)(b) arrangements with a view to such an exchange of shares, or shares and securities, as is mentioned in paragraph 83(1) (certain exchanges resulting in acquisition of share capital by new company) shall be disregarded.
- (3) In this paragraph “control” has the meaning given by [^{F5}section 1124 of CTA 2010].

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Textual Amendments

- F5** Words in Sch. 15 para. 17(3) 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. 315(4) (with Sch. 2)

The “individual-owner”s requirement

- 18 (1) The “individual-owners” requirement is that, throughout the qualification period relating to the relevant shares, at least 20% of the ordinary share capital of the issuing company is beneficially owned by one or more independent individuals.
- (2) For the purposes of sub-paragraph (1) “independent individual” means an individual who is not, at any time during that period when he holds ordinary shares in the issuing company—
- (a) a director or employee of—
 - (i) the investing company, or
 - (ii) any company connected with that company, or
 - (b) a relative of such a director or employee.
- For this purpose “relative” means [^{F6}spouse or civil partner], parent or remoter forebear or child or remoter issue.
- (3) Where part of the ordinary share capital of the issuing company forms part of the estate of a deceased person who immediately before his death—
- (a) was the beneficial owner of the shares in question, and
 - (b) was an independent individual for the purposes of sub-paragraph (1),
- the shares in question shall, by virtue of this sub-paragraph, continue to be treated as beneficially owned by an independent individual for the purposes of sub-paragraph (1) until such time as they cease to form part of the deceased’s estate.

Textual Amendments

- F6** Words in Sch. 15 para. 18(2)(b) substituted (5.12.2005) by Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), 132

The partnerships and joint ventures requirement

- 19 (1) The requirement as to partnerships and joint ventures is that neither the issuing company nor any of its qualifying subsidiaries is at any time during the qualification period relating to the relevant shares—
- (a) a member of a partnership falling within sub-paragraph (2), or
 - (b) a party to a joint venture falling within sub-paragraph (3).
- (2) A partnership of which the issuing company, or any of its qualifying subsidiaries, is a member falls within this paragraph at any time when—
- (a) the relevant trade is being carried on, or to be carried on, by the partners in partnership,
 - (b) the other partners include at least one other company, and
 - (c) the same person (or persons) are the beneficial owner (or owners) of more than 75% of the issued share capital or the ordinary share capital of both—

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- (i) the issuing company, and
 - (ii) at least one of the other partners.
- (3) A joint venture to which the issuing company, or any of its qualifying subsidiaries, is a party falls within this paragraph at any time when—
- (a) the relevant trade is being carried on, or to be carried on, by that party in its capacity as a party to the joint venture,
 - (b) the other parties include at least one other company, and
 - (c) the same person (or persons) are the beneficial owner (or owners) of more than 75% of the issued share capital or the ordinary share capital of both—
 - (i) the issuing company, and
 - (ii) at least one of the other parties.
- (4) For the purposes of sub-paragraphs (2) and (3)—
- (a) “the relevant trade” means any trade by reference to which the trading activities requirement is met in respect of the issuing company in relation to the relevant shares; and
 - (b) there shall be attributed to any person any issued share capital or ordinary share capital held by any other person who is an associate of his.

The qualifying subsidiaries requirement

- 20 (1) The issuing company is not a qualifying issuing company in relation to the relevant shares if, at any time during the qualification period relating to those shares, it has a subsidiary which is not a qualifying subsidiary.
- [^{F7}(2) In this paragraph “subsidiary” means any company which the company controls, either on its own or together with any person connected with it.
- (3) For the purpose of sub-paragraph (2), the question whether a person controls a company shall be determined in accordance with [^{F8}sections 450 and 451 of CTA 2010].]

Textual Amendments

F7 Sch. 15 para. 20(2)(3) substituted (22.7.2004) for Sch. 15 para. 20(2) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 4\(2\)](#)

F8 Words in Sch. 15 para. 20(3) 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. 315\(5\)](#) (with [Sch. 2](#))

Meaning of “qualifying subsidiar”y

- 21 (1) A company (“the subsidiary”) is a qualifying subsidiary of another company (“the relevant company”) if the following conditions are met.
- (2) The conditions are that—
- ^{F9}(a)
 - ^{F9}(b)
 - ^{F9}(c)
 - [^{F10}(ca) the subsidiary is a 51% subsidiary of the relevant company;]

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- (d) no person other than the relevant company or another of its subsidiaries has control of the subsidiary within the meaning of section 840 of the Taxes Act 1988; and
 - (e) no arrangements are in existence by virtue of which [^{F11}either of the conditions in paragraphs (ca) and] (d) would cease to be met.
- (3) The subsidiary shall not be regarded as ceasing to be a company in relation to which the conditions in sub-paragraph (2) are met by reason only of—
- (a) anything done as a consequence of the subsidiary, or any other company, being in administration or receivership, or
 - (b) the subsidiary, or any other company, being wound up or dissolved without winding up,
- if sub-paragraph (4) applies.
- (4) This paragraph applies where—
- (a) in a case within sub-paragraph (3)(a)—
 - [^{F12}(i) the entry into administration or receivership, and]
 - (ii) everything done as a consequence of the company [^{F13}concerned] being in administration or receivership, or
 - (b) in a case within sub-paragraph (3)(b), the winding up or dissolution, is for commercial reasons and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.
- (5) The subsidiary shall not be regarded, at any time when arrangements are in existence for the disposal by the relevant company or (as the case may be) by another subsidiary of that company of all its interest in the subsidiary in question, as having ceased on that account to be a qualifying subsidiary [^{F14}of the relevant company] if the disposal is to be for commercial reasons [^{F15}and is not to be part] of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.

Textual Amendments

- F9** Sch. 15 para. 21(2)(a)-(c) repealed (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 5\(2\)\(a\)](#), [Sch. 42 Pt. 2\(13\)](#)
- F10** Sch. 15 para. 21(2)(ca) inserted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 5\(2\)\(b\)](#)
- F11** Words in Sch. 15 para. 21(2)(e) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 5\(2\)\(c\)](#)
- F12** Sch. 15 para. 21(4)(a)(i) substituted (15.9.2003) by [Enterprise Act 2002 \(Insolvency\) Order 2003 \(S.I. 2003/2096\)](#), [art. 1\(1\)](#), [Sch. para. 34\(a\)](#) (with art. 6)
- F13** Word in Sch. 15 para. 21(4)(a)(ii) inserted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 5\(3\)](#)
- F14** Words in Sch. 15 para. 21(5) inserted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 5\(4\)\(a\)](#)
- F15** Words in Sch. 15 para. 21(5) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 5\(4\)\(b\)](#)

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[^{F16}The property managing subsidiaries requirement

Textual Amendments

F16 Sch. 15 para. 21A and cross-heading inserted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 6](#)

21A (1) The issuing company is not a qualifying issuing company in relation to the relevant shares if, at any time during the qualification period relating to those shares, it has a property managing subsidiary which is not a qualifying 90% subsidiary of the issuing company (see paragraph 23(10) and (11)).

(2) “Property managing subsidiary” means a qualifying subsidiary of the issuing company whose business consists wholly or mainly in the holding or managing of land or any property deriving its value from land.

[^{F17}(3) In sub-paragraph (2) “property deriving its value from land” has the meaning given by section 833(2) of CTA 2010]]

Textual Amendments

F17 [Sch. 15 para. 21A\(3\)](#) 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. 315\(6\)](#) (with [Sch. 2](#))

The gross assets requirement

22 (1) The gross assets requirement in the case of a single company is that the value of the company’s gross assets—

- (a) does not exceed [^{F18}£7 million] immediately before the issue of the relevant shares, and
- (b) does not exceed [^{F19}£8 million] immediately afterwards.

(2) The gross assets requirement in the case of a parent company is that the consolidated value of the group assets—

- (a) does not exceed [^{F20}£7 million] immediately before the issue of the relevant shares, and
- (b) does not exceed [^{F21}£8 million] immediately afterwards.

(3) The consolidated value of the group assets means the aggregate value of the gross assets of the group, disregarding any that consist in rights against, or shares in or securities of, another group company.

Textual Amendments

F18 Words in Sch. 15 para. 22(1)(a) substituted (with effect in accordance with Sch. 14 para. 3(2)(3) to the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 14 para. 3\(1\)\(a\)](#)

F19 Words in Sch. 15 para. 22(1)(b) substituted (with effect in accordance with Sch. 14 para. 3(2)(3) to the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 14 para. 3\(1\)\(b\)](#)

F20 Words in Sch. 15 para. 22(2)(a) substituted (with effect in accordance with Sch. 14 para. 3(2)(3) to the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 14 para. 3\(1\)\(a\)](#)

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- F21** Words in Sch. 15 para. 22(2)(b) substituted (with effect in accordance with Sch. 14 para. 3(2)(3) to the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 14 para. 3\(1\)\(b\)](#)

[^{F22}The number of employees requirement

Textual Amendments

- F22** Sch. 15 para. 22A and cross-heading inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 16 para. 1\(3\)](#) (with [Sch. 16 para. 1\(4\)](#))

- 22A (1) If the issuing company is a single company, the full-time equivalent employee number for it must be less than 50 when the relevant shares are issued.
- (2) If the issuing company is a parent company, the sum of—
- (a) the full-time equivalent employee number for it, and
 - (b) the full-time equivalent employee numbers for each of its qualifying subsidiaries,
- must be less than 50 when the relevant shares are issued.
- (3) The full-time equivalent employee number for a company is calculated as follows—
- Step 1*
- Find the number of full-time employees of the company.
- Step 2*
- Add, for each employee of the company who is not a full-time employee, such fraction as is just and reasonable.
- The result is the full-time equivalent employee number.
- (4) In this paragraph references to an employee—
- (a) include a director, but
 - (b) do not include—
 - (i) an employee on maternity [^{F23}, paternity [^{F24}, shared parental or parental bereavement]] leave, or
 - (ii) a student on vocational training.]

Textual Amendments

- F23** Words in Sch. 15 para. 22A(4)(b)(i) substituted (1.12.2014) by [Children and Families Act 2014 \(c. 6\)](#), s. 139(6), [Sch. 7 para. 49](#); S.I. 2014/1640, art. 5(2)(r)
- F24** Words in Sch. 15 para. 22A(4)(b)(i) substituted (18.1.2020) by [Parental Bereavement \(Leave and Pay\) Act 2018 \(c. 24\)](#), s. 2(2), [Sch. para. 34](#); S.I. 2020/45, reg. 2

The trading activities requirement

- 23 (1) The issuing company is not a qualifying issuing company in relation to the relevant shares unless it meets the trading activities requirement throughout the qualification period relating to those shares.

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- (2) The trading activities requirement in the case of a single company is that the company—
- (a) disregarding any incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, and
 - (b) is carrying on a qualifying trade or preparing to do so.
- (3) The trading activities requirement in the case of a parent company is that—
- (a) the business of the group does not consist wholly or as to a substantial part in the carrying on of non-qualifying activities, and
 - (b) [^{F25}the issuing company or a qualifying 90% subsidiary of the issuing company] —
 - (i) disregarding any incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, and
 - (ii) is carrying on a qualifying trade or preparing to do so.
- (4) For this purpose the business of the group means what would be the business of the group if the activities of the group companies taken together were regarded as one business.
- (5) The requirement of sub-paragraph (2) or (3) is not met at any time by reason of the issuing company or [^{F26}a qualifying 90% subsidiary of the issuing company] preparing to carry on a qualifying trade if the company [^{F27}or a qualifying 90% subsidiary of the issuing company] does not begin to carry on the trade within two years after the issue of the relevant shares.
- (6) For the purposes of determining whether [^{F28}a company] falls within sub-paragraph (2)(a) or (3)(b)(i), the purposes for which it exists shall be disregarded to the extent that they consist in the carrying on of the following activities—
- (a) in the case of a single company, the holding and managing of property used by the company for one or more qualifying trades carried on by it,
 - (b) in the case of a group company, any activities within sub-paragraph (7)(a), (b) or (d), and
 - (c) in any case, the holding of shares to which investment relief is attributable, unless the holding of such shares amounts to a substantial part of the company's business.
- (7) For the purposes of determining the business of a group, activities of a group company shall be disregarded to the extent that they consist in—
- (a) the holding of shares in or securities of, or the making of loans to, another group company;
 - (b) the holding and managing of property used by a group company for the purposes of one or more qualifying trades carried on by a group company;
 - (c) the holding of shares to which investment relief is attributable, unless the holding of such shares amounts to a substantial part of the company's business, or
 - (d) incidental activities of a company which meets the trading activities requirement for a single company.
- (8) In sub-paragraph (3)(a) “non-qualifying activities” means—
- (a) excluded activities other than—

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- (i) the letting of ships to which paragraph 28 applies (ships other than [^{F29}offshore installations] or pleasure craft) in circumstances where the requirement of sub-paragraph (2) of that paragraph is met; or
 - (ii) the receiving of royalties or licence fees within paragraph 29 in circumstances where the requirements mentioned in sub-paragraph (2) of that paragraph are met; and
- (b) activities carried on otherwise than in the course of a trade.
- (9) In this paragraph—
- (a) “incidental purposes” means purposes having no significant effect (other than in relation to incidental matters) on the extent of the activities of the company in question;
 - (b) “incidental activities” means activities carried on in pursuance of incidental purposes.

^{F30}(10)

^{F31}(11)

Textual Amendments

- F25** Words in Sch. 15 para. 23(3)(b) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 20 para. 7(a)**
- F26** Words in Sch. 15 para. 23(5) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 20 para. 7(b)(i)**
- F27** Words in Sch. 15 para. 23(5) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 20 para. 7(b)(ii)**
- F28** Words in Sch. 15 para. 23(6) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 20 para. 7(c)**
- F29** Words in Sch. 15 para. 23(8)(a)(i) substituted (22.7.2004) (with effect in accordance with Sch. 27 para. 6(5)(6) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 27 para. 6(2)**
- F30** Sch. 15 para. 23(10) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 16 paras. 15\(2\)](#), [18](#), **Sch. 27 Pt. 2(16)**
- F31** Sch. 15 para. 23(11) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 16 paras. 15\(2\)](#), [18](#), **Sch. 27 Pt. 2(16)**

^{F32}Meaning of “qualifying 90% subsidiary”

Textual Amendments

- F32** Sch. 15 para. 23A and cross-heading inserted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 16 paras. 15\(3\)](#), [18](#)

- 23A (1) For the purposes of this Schedule, a company (“the subsidiary”) is a qualifying 90% subsidiary of the issuing company if the following conditions are met—
- (a) the issuing company possesses not less than 90% of the issued share capital of, and not less than 90% of the voting power in, the subsidiary;
 - (b) the issuing company would—
 - (i) in the event of a winding up of the subsidiary, or
 - (ii) in any other circumstances,

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- be beneficially entitled to receive not less than 90% of the assets of the subsidiary which would then be available for distribution to the shareholders of the subsidiary;
- (c) the issuing company is beneficially entitled to not less than 90% of any profits of the subsidiary which are available for distribution to the shareholders of the subsidiary;
 - (d) no person other than the issuing company has control of the subsidiary within the meaning of ^{F33}section 1124 of CTA 2010];
 - (e) no arrangements are in existence by virtue of which any of the conditions in paragraphs (a) to (d) would cease to be met.
- (2) Paragraph 21(3) and (4) (effect of receivership etc) apply in relation to the conditions in sub-paragraph (1) as they apply in relation to the conditions in paragraph 21(2).
- (3) If—
- (a) arrangements are in existence for the disposal by the issuing company of all its interest in the subsidiary, and
 - (b) the disposal is to be for commercial reasons and is not to be part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax,
- the subsidiary is not to be regarded as having ceased on that account to be a qualifying 90% subsidiary of the issuing company.
- (4) For the purposes of this Schedule, a company (“company A”) which is a subsidiary of a company that is not the issuing company (“company B”) is a qualifying 90% subsidiary of the issuing company if—
- (a) company A would be a qualifying 90% subsidiary of company B (if company B were the issuing company), and company B is a qualifying 100% subsidiary of the issuing company; or
 - (b) company A is a qualifying 100% subsidiary of company B, and company B is a qualifying 90% subsidiary of the issuing company.
- (5) For the purposes of sub-paragraph (4), no account is to be taken of any control the issuing company may have of company A.
- (6) For those purposes, a company (“company X”) is a qualifying 100% subsidiary of another company (“company Y”) at any time when the conditions in sub-paragraph (1) would be met if—
- (a) company X were the subsidiary;
 - (b) company Y were the issuing company; and
 - (c) in sub-paragraph (1) for “not less than 90%” in each place there were substituted “100%”.]

Textual Amendments

F33 Words in Sch. 15 para. 23A(1)(d) 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. 315\(7\)](#) (with [Sch. 2](#))

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Ceasing to meet trading activities requirement by reason of administration, receivership, etc.

24 (1) A company ^{F34}... shall not be regarded as ceasing to meet the trading activities requirement by reason [^{F35}only] of anything done as a consequence of the company, or any of its qualifying subsidiaries, being in administration or receivership.

This sub-paragraph has effect subject to sub-paragraphs (2) and (3).

(2) Sub-paragraph (1) applies only if—

- [^{F36}(a) the entry into administration or receivership, and]
- (b) everything done as a consequence of the company [^{F37}concerned] being in administration or receivership,

is for commercial reasons and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

(3) A company ceases to meet the trading activities requirement if—

- (a) a resolution is passed, or an order is made, for the winding up of the company or any of its qualifying subsidiaries (or, in the case of a winding up otherwise than under the ^{M1}Insolvency Act 1986 or the ^{M2}Insolvency (Northern Ireland) Order 1989, any other act is done for the like purpose), or
- (b) the company, or any of its qualifying subsidiaries, is dissolved without winding up.

This is subject to sub-paragraph (4).

(4) A company shall not be regarded as ceasing to meet the trading activities requirement if—

- (a) it does so by reason [^{F38}only of the company or any of its qualifying subsidiaries] being wound up or dissolved without winding up, and
- (b) the winding up or dissolution is for commercial reasons [^{F39}and is not] part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

Textual Amendments

- F34** Words in Sch. 15 para. 24(1) repealed (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 8\(a\)\(i\)](#), [Sch. 42 Pt. 2\(13\)](#)
- F35** Word in Sch. 15 para. 24(1) inserted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 8\(a\)\(ii\)](#)
- F36** Sch. 15 para. 24(2)(a) substituted (15.9.2003) by [Enterprise Act 2002 \(Insolvency\) Order 2003 \(S.I. 2003/2096\)](#), [art. 1\(1\)](#), [Sch. para. 34\(b\)](#) (with [art. 6](#))
- F37** Word in Sch. 15 para. 24(2)(b) inserted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 8\(b\)](#)
- F38** Words in Sch. 15 para. 24(4)(a) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 8\(c\)\(i\)](#)
- F39** Words in Sch. 15 para. 24(4)(b) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 8\(c\)\(ii\)](#)

Marginal Citations

- M1** 1986 c. 45.
- M2** S.I. 1989/2405 (N.I.19).

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2000, Part III. (See end of Document for details)

Meaning of “qualifying trade”

- 25 (1) A trade is a qualifying trade if—
- (a) it is carried on wholly or mainly in the United Kingdom,
 - (b) it is conducted on a commercial basis and with a view to the realisation of profits, and
 - (c) it does not consist wholly or as to a substantial part in the carrying on of excluded activities.
- (2) The carrying on of activities of research and development from which it is intended that a connected qualifying trade will be derived or benefit is treated as the carrying on of a qualifying trade.
- But preparing to carry on such activities does not count as preparing to carry on a qualifying trade.
- (3) For the purposes of sub-paragraph (2) a “connected qualifying trade” means a qualifying trade carried on—
- (a) by the company carrying on the activities of research and development, or
 - (b) if that company is a member of a group, by [^{F40}the issuing company or any of its qualifying 90% subsidiaries].

Textual Amendments

F40 Words in Sch. 15 para. 25(3)(b) substituted (22.7.2004) (with effect in accordance with Sch. 20 para. 15 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 20 para. 9](#)

Excluded activities

- 26 (1) The following are excluded activities—
- (a) dealing in land, in commodities or futures or in shares, securities or other financial instruments;
 - (b) dealing in goods otherwise than in the course of an ordinary trade of wholesale or retail distribution;
 - (c) banking, insurance, money-lending, debt-factoring, hire-purchase financing or other financial activities;
 - (d) leasing (including letting ships on charter or other assets on hire) or receiving royalties or other licence fees;
 - (e) providing legal or accountancy services;
 - (f) property development;
 - (g) farming or market gardening;
 - (h) holding, managing or occupying woodlands, any other forestry activities or timber production;
 - [^{F41}(ha) shipbuilding;
 - (hb) producing coal;
 - (hc) producing steel;]
 - (i) operating or managing hotels or comparable establishments or managing property used as a hotel or comparable establishment; and
 - (j) operating or managing nursing homes or residential care homes, or managing property used as a nursing home or residential care home.

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- (2) Sub-paragraph (1) is supplemented by the following provisions—
- paragraph 27 (wholesale and retail distribution);
 - paragraph 28 (leasing of ships);
 - paragraph 29 (receipt of royalties and licence fees);
 - paragraph 30 (property development);
 - [^{F42}paragraph 30A (shipbuilding);
 - paragraph 30B (producing coal);
 - paragraph 30C (producing steel);]
 - paragraph 31 (hotels and comparable establishments);
 - paragraph 32 (nursing homes and residential care homes); and
 - paragraph 33 (provision of facilities for another business).

Textual Amendments

- F41** Sch. 15 para. 26(1)(ha)-(hc) inserted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 11 paras. 2\(a\), 10](#) (with [Sch. 11 para. 11](#))
- F42** Words in Sch. 15 para. 26(2) inserted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 11 paras. 2\(b\), 10](#) (with [Sch. 11 para. 11](#))

Excluded activities: wholesale and retail distribution

- 27 (1) This paragraph supplements paragraph 26(1)(b).
- (2) A trade of wholesale distribution is one in which the goods are offered for sale and sold to persons for resale by them, or for processing and resale by them, to members of the general public for their use or consumption.
- (3) A trade of retail distribution is one in which the goods are offered for sale and sold to members of the general public for their use or consumption.
- (4) A trade is not an ordinary trade of wholesale or retail distribution if—
- (a) it consists, to a substantial extent, in dealing in goods of a kind which are collected or held as an investment, or in that activity and any other excluded activity taken together, and
 - (b) a substantial proportion of those goods are held by the company for a period which is significantly longer than the period for which a vendor would reasonably be expected to hold them while endeavouring to dispose of them at their market value.
- (5) In determining whether a trade carried on by any person is an ordinary trade of wholesale or retail distribution, regard shall be had to the extent to which it has the following features—
- (a) the goods are bought by that person in quantities larger than those in which he sells them;
 - (b) the goods are bought and sold by that person in different markets;

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- (c) that person employs staff and incurs expenses in the trade in addition to the cost of the goods and, in the case of a trade carried on by a company, to any remuneration paid to any person connected with it;
 - (d) there are purchases or sales from or to persons who are connected with that person;
 - (e) purchases are matched with forward sales or vice versa;
 - (f) the goods are held by that person for longer than is normal for goods of the kind in question;
 - (g) the trade is carried on otherwise than at a place or places commonly used for wholesale or retail trade;
 - (h) that person does not take physical possession of the goods.
- (6) The features specified in sub-paragraph (5)(a) to (c) are indications that the trade is such an ordinary trade.

Those in sub-paragraph (5)(d) to (h) are indications of the contrary.

Excluded activities: leasing of ships

- 28 (1) This paragraph supplements paragraph 26(1)(d) so far as it relates to the leasing of ships other than [^{F43}offshore installations] or pleasure craft.
- (2) A trade shall not be treated as not being a qualifying trade by reason only of its consisting in letting such ships on charter if the following requirements are met—
- (a) every ship let on charter by the company carrying on the trade is beneficially owned by the company;
 - (b) every ship beneficially owned by the company is registered in the United Kingdom;
 - (c) the company is solely responsible for arranging the marketing of the services of its ships; and
 - (d) the conditions mentioned in sub-paragraph (3) are satisfied in relation to every letting of a ship on charter by the company.
- (3) The conditions are that—
- (a) the letting is for a period not exceeding 12 months and no provision is made at any time (whether in the charterparty or otherwise) for extending it beyond that period otherwise than at the option of the charterer;
 - (b) during the period of the letting there is no provision in force (whether by virtue of being contained in the charterparty or otherwise) for the grant of a new letting to end, otherwise than at the option of the charterer, more than 12 months after that provision is made;
 - (c) the letting is by way of a bargain made at arm's length between the company and a person who is not connected with it;
 - (d) under the terms of the charter the company is responsible as principal—
 - (i) for taking, throughout the period of the charter, management decisions in relation to the ship, other than those of a kind generally regarded by persons engaged in trade of the kind in question as matters of husbandry; and
 - (ii) for defraying all expenses in connection with the ship throughout that period, or substantially all such expenses, other than those

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directly incidental to a particular voyage or to the employment of the ship during that period;

and

(e) no arrangements exist by virtue of which a person other than the company may be appointed to be responsible for the matters mentioned in paragraph (d) on behalf of the company.

(4) In relation to any letting between one company and another where—

- (a) one of those companies is the company carrying on the trade and the other is a qualifying subsidiary of that company, or
- (b) both companies are qualifying subsidiaries of the company carrying on the trade,

sub-paragraph (3) has effect with the omission of paragraph (c).

(5) Where any of the requirements in sub-paragraph (2) are not met in relation to any lettings, the trade shall not thereby be treated as not a qualifying trade if those lettings and any other excluded activities do not, taken together, amount to a substantial part of the trade.

(6) In this paragraph—

^{F44}

“pleasure craft” means any ship of a kind primarily used for sport or recreation.

Textual Amendments

F43 Words in Sch. 15 para. 28(1) substituted (22.7.2004) (with effect in accordance with Sch. 27 para. 6(5) (6) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 27 para. 6\(3\)](#)

F44 Words in Sch. 15 para. 28(6) repealed (22.7.2004) (with effect in accordance with Sch. 27 para. 6(5)(6) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 27 para. 6\(4\)](#), [Sch. 42 Pt. 2\(19\)](#)

Excluded activities: receipt of royalties and licence fees

- 29 (1) This paragraph supplements paragraph 26(1)(d) so far as it relates to the receipt of royalties and licence fees.
- (2) A trade shall not be regarded as not being a qualifying trade by reason only that at some time in the qualification period relating to the relevant shares it consists to a substantial extent in the receiving of royalties or licence fees if the royalties and licence fees (or all but for a part that is not a substantial part in terms of value) are attributable to the exploitation of relevant intangible assets.
- (3) For this purpose an intangible asset is a “relevant intangible asset” if the whole or greater part (in terms of value) of it has been created—
- ^{F45}(a) by the issuing company, or
 - (b) by a company which was a qualifying subsidiary of the issuing company throughout a period during which it created the whole or greater part (in terms of value) of the intangible asset.]
- (4) In this paragraph “intangible asset” means any asset which falls to be treated as an intangible asset in accordance with [^{F46}generally accepted accounting practice].

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F47

- (5) In the case of a relevant asset that is intellectual property, references in this paragraph to the creation of the asset by a company are to its creation in circumstances in which the right to exploit it vests in the company (whether alone or jointly with others).
- (6) In sub-paragraph (5) “intellectual property” means—
- (a) any patent, trade mark, registered design, copyright, design right, performer’s right or plant breeder’s right; and
 - (b) any rights under the law of a country or territory outside the United Kingdom which correspond or are similar to those falling within paragraph (a).
- [^{F48}(7) If—
- (a) the issuing company acquired all the shares (“old shares”) in another company (“the old company”) at a time when the only shares issued in the issuing company were subscriber shares, and
 - (b) the consideration for the old shares consisted wholly of the issue of shares in the issuing company,
- references in sub-paragraph (3) to the issuing company include the old company.]

Textual Amendments

- F45** Sch. 15 para. 29(3)(a)(b) substituted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 16 paras. 9\(2\), 13](#)
- F46** Words in Sch. 15 para. 29(4) substituted (24.7.2002) by [2002 c. 23, s. 103\(4\)\(f\)](#)
- F47** The second sentence in Sch. 15 para. 29(4) repealed (24.7.2002) by [2002 c. 23, s. 141](#), [Sch. 40](#), Pt. 3(16)
- F48** Sch. 15 para. 29(7) inserted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 16 paras. 9\(3\), 13](#)

Excluded activities: property development

- 30 (1) This paragraph supplements paragraph 26(1)(f).
- (2) “Property development” means the development of land—
- (a) by a company which has, or at any time has had, an interest in the land, and
 - (b) with the sole or main object of realising a gain from the disposal of an interest in the land when it is developed.
- (3) For this purpose “interest in land” means, subject to sub-paragraph (4)—
- (a) any estate, interest or right in or over land, including any right affecting the use or disposition of land, or
 - (b) any right to obtain such an estate, interest or right from another which is conditional on the other’s ability to grant it.
- (4) References in this paragraph to an interest in land do not include—
- (a) the interest of a creditor (other than a creditor in respect of a rentcharge) whose debt is secured by way of mortgage, an agreement for a mortgage or a charge of any kind over land, or
 - (b) in the case of land in Scotland, the interest of a creditor in a charge or security of any kind over land.

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[^{F49}Excluded activities: shipbuilding

Textual Amendments

F49 Sch. 15 paras. 30A-30C and cross-heading inserted (retrospective to 6.4.2008) by [Finance Act 2008](#) (c. 9), [Sch. 11 paras. 3, 10](#) (with [Sch. 11 para. 11](#))

30A In paragraph 26(1)(ha) “shipbuilding” has the same meaning as in the Framework on state aid to shipbuilding (2003/C 317/06), published in the Official Journal on 30 December 2003.

Excluded activities: producing coal

- 30B (1) This paragraph supplements paragraph 26(1)(hb).
- (2) “Coal” has the meaning given by Article 2 of Council Regulation [\(EC\) No. 1407/2002](#) (state aid to coal industry).
- (3) The production of coal includes the extraction of it.

Excluded activities: producing steel

30C In paragraph 26(1)(hc) “steel” means any of the steel products listed in Annex 1 to the Guidelines on national regional aid (2006/C 54/08), published in the Official Journal on 4 March 2006.]

Excluded activities: hotels and comparable establishments

- 31 (1) This paragraph supplements paragraph 26(1)(i).
- (2) The reference to a comparable establishment is to a guest house, hostel or other establishment the main purpose of maintaining which is the provision of facilities for overnight accommodation (with or without catering services).
- (3) The activities of a person shall not be taken to fall within paragraph 26(1)(i) unless that person has an estate or interest in, or is in occupation of, the hotel or comparable establishment in question.

Excluded activities: nursing homes and residential care homes

- 32 (1) This paragraph supplements paragraph 26(1)(j).
- (2) “Nursing home” means an establishment that exists wholly or mainly for the provision of nursing care—
- (a) for persons suffering from sickness, injury or infirmity, or
 - (b) for women who are pregnant or have given birth to children.
- (3) “Residential care home” means an establishment that exists wholly or mainly for the provision of residential accommodation, together with board and personal care, for persons in need of personal care by reason of—
- (a) old age,
 - (b) mental or physical disability,
 - (c) past or present dependence on alcohol or drugs,

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- (d) any past illness, or
 - (e) past or present mental disorder.
- (4) The activities of a person shall not be taken to fall within paragraph 26(1)(j) unless that person has an estate or interest in, or is in occupation of, the nursing home or residential care home in question.

Excluded activities: provision of facilities for another business

- 33 (1) Providing services or facilities for a business carried on by another person is an excluded activity if—
- (a) the business consists to a substantial extent of excluded activities within sub-paragraph 26(1), and
 - (b) a controlling interest in the business is held by a person who also has a controlling interest in the business carried on by the company providing the services or facilities.
- (2) Sub-paragraphs (3) to (5) define what is meant by a controlling interest in a business for the purposes of sub-paragraph (1)(b).
- (3) In the case of a business carried on by a company, a person has a controlling interest if—
- (a) he controls the company,
 - (b) the company is a close company and he or an associate of his, being a director of the company, either—
 - (i) is the beneficial owner of more than 30% of the ordinary share capital of the company, or
 - (ii) is able, directly or through the medium of other companies or by any other indirect means, to control more than 30% of that share capital,
 - or
 - (c) not less than half of the business could, in accordance with [^{F50}section 942 of CTA 2010], be regarded as belonging to him for the purposes of [^{F51}section 941] of that Act.
- (4) In any other case, a person has a controlling interest in a business if he is entitled to not less than half of the assets used for, or of the income arising from, the business.
- (5) For the purposes of sub-paragraph (3)(a) the question whether a person controls a company shall be determined in accordance with [^{F52}sections 450 and 451 of CTA 2010].
- (6) For the purposes of this paragraph—
- (a) there shall be attributed to any person any rights or powers of any other person who is an associate of his, and
 - (b) “business” includes any trade, profession or vocation.

Textual Amendments

F50 Words in *Sch. 15 para. 33(3)(c)* 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. 315(8)(a)** (with *Sch. 2*)

F51 Words in *Sch. 15 para. 33(3)(c)* 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. 315(8)(b)** (with *Sch. 2*)

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F52 Words in Sch. 15 para. 33(5) 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. 315(9)** (with Sch. 2)

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2000, Part III.