



Finance Act 2016

2016 CHAPTER 24

PART 4

CAPITAL GAINS TAX

Entrepreneurs' relief

84 Entrepreneurs' relief: associated disposals

(1) Section 169K of TCGA 1992 (disposal associated with relevant material disposal) is amended as follows.

(2) In subsection (1)—

- (a) in paragraph (a), after “A1,” insert “ A1A, ”, and
- (b) in paragraph (b), for “and C” substitute “ , C and D ”.

(3) After subsection (1A) insert—

“(1AA) Condition A1A is that P makes a material disposal of business assets which consists of the disposal of the whole of P's interest in the assets of a partnership, and—

- (a) that interest is an interest of less than 5%,
- (b) P holds at least a 5% interest in the partnership's assets throughout a continuous period of at least 3 years in the 8 years ending with the date of the disposal, and
- (c) at the date of the disposal, no partnership purchase arrangements exist.

(1AB) Subject to subsection (6A), for the purposes of conditions A1 and A1A, in relation to the disposal of an interest in the assets of a partnership, “partnership purchase arrangements” means arrangements (other than the material disposal itself) under which P or a person connected with P is entitled to acquire any interest in, or increase that person's interest in, the partnership (including a share of the profits or assets of the partnership or an interest in such a share).”

Changes to legislation: Finance Act 2016, Cross Heading: Entrepreneurs' relief is up to date with all changes known to be in force on or before 07 June 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) View outstanding changes

- (4) In subsection (1E), in the words before paragraph (a)—
- (a) at the beginning insert “ Subject to subsection (6A), ”, and
 - (b) after “means arrangements” insert “ (other than the material disposal itself) ”.
- (5) After subsection (3A) insert—
- “(3AA) Subject to subsection (6A), for the purposes of condition B, in relation to a disposal mentioned in that condition and a partnership, “partnership purchase arrangements” means arrangements under which P or a person connected with P is entitled to acquire any interest in, or increase that person’s interest in, the partnership (including a share of the profits or assets of the partnership or an interest in such a share), but does not include any arrangements in connection with a material disposal in relation to which condition A1 or A1A is met.”
- (6) In subsection (3B), for “arrangements” to the end substitute “ share purchase arrangements ”.
- (7) After subsection (3B) insert—
- “(3BA) Subject to subsection (6A), for the purposes of condition B, in relation to a disposal mentioned in that condition and company A, “share purchase arrangements” means arrangements under which P or a person connected with P is entitled to acquire shares in or securities of—
- (a) company A, or
 - (b) a company which is a member of a trading group of which company A is a member,
- but does not include any arrangements in connection with a material disposal in relation to which condition A2 or A3 is met.”
- (8) In subsection (3C), for “(3B)” substitute “ (3BA) ”.
- (9) After subsection (4) insert—
- “(4A) Condition D is that the disposal mentioned in condition B is of an asset which P owns throughout the period of 3 years ending with the date of that disposal.”
- (10) Omit subsection (6).
- (11) Before subsection (7) insert—
- “(6A) For the purposes of this section, in relation to a material disposal of business assets and a disposal mentioned in condition B, arrangements are not partnership purchase arrangements or share purchase arrangements if they were made before both disposals and without regard to either of them.”
- (12) In subsection (9), after “entitled to share in the” insert “ capital ”.
- (13) The amendments made by subsections (2)(a), (3) to (8) and (10) to (12) have effect in relation to disposals made on or after 18 March 2015.
- (14) The amendments made by subsections (2)(b) and (9) have effect in relation to disposals of assets which are acquired on or after 13 June 2016.

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85 Entrepreneurs' relief: disposal of goodwill

(1) Section 169LA of TCGA 1992 (relevant business assets: goodwill transferred to a related party etc) is amended as follows.

(2) In subsection (1)—

(a) at the beginning insert “ Subject to subsection (1A), ”,

(b) at the end of paragraph (a) insert “ and ”,

(c) after paragraph (a) insert—

“(aa) immediately after the disposal—

(i) P and any relevant connected person together own 5% or more of the ordinary share capital of C or of any company which is a member of a group of companies of which C is a member, or

(ii) P and any relevant connected person together hold 5% or more of the voting rights in C or in any company which is a member of a group of companies of which C is a member.”, and

(d) omit paragraphs (b) and (c).

(3) After subsection (1) insert—

“(1A) Where—

(a) subsection (1)(aa) applies by virtue of P's ownership, or any relevant connected person's ownership, of C's ordinary share capital, and

(b) the conditions mentioned in subsection (1B) are met,

subsection (4) does not apply.

(1B) The conditions referred to in subsection (1A)(b) are—

(a) P and any relevant connected person dispose of C's ordinary share capital to another company (“A”) such that, immediately before the end of the relevant period, neither P nor any relevant connected person own any of C's ordinary share capital, and

(b) where A is a close company, immediately before the end of the relevant period—

(i) P and any relevant connected person together own less than 5% of the ordinary share capital of A or of any company which is a member of a group of companies of which A is a member, and

(ii) P and any relevant connected person together hold less than 5% of the voting rights in A or in any company which is a member of a group of companies of which A is a member.

(1C) In subsection (1B) “the relevant period” means the period of 28 days beginning with the date of the qualifying business disposal, or such longer period as the Commissioners for Her Majesty's Revenue and Customs may by notice allow.”

(4) Omit subsections (2) and (3).

(5) In subsection (5), omit the words from “(including” to the end.

(6) In subsection (7), omit paragraph (b) and the “or” at the end of paragraph (a).

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(7) In subsection (8)—

(a) after the definition of “arrangements” insert—

““group” is to be construed in accordance with section 170;”

(b) for the definition of “associate”, “control”, “major interest” and “participant” substitute—

““relevant connected person” means—

(a) a company connected with P, and

(b) trustees connected with P.”

(8) In the heading, for “related party etc” substitute “close company”.

(9) The amendments made by this section have effect in relation to disposals made on or after 3 December 2014.

86 Entrepreneurs' relief: “trading company” and “trading group”

Schedule 13 contains provision about the meaning of “trading company” and “trading group” for the purposes of Chapter 3 of Part 5 of TCGA 1992 (entrepreneurs' relief).

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)