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SCHEDULES

SCHEDULE 2

QUALIFYING ASSET HOLDING COMPANIES

PART 1

INTRODUCTION AND CONDITIONS FOR BEING A QAHC

Introduction

- 1 (1) This Part of this Schedule (after this paragraph) sets out the conditions that must be met for a company to be a qualifying asset holding company (a “QAHC”).
- (2) Parts 2 and 3 of this Schedule—
 - (a) set out how a company becomes, and ceases to be, a QAHC, and
 - (b) set out some of the consequences of becoming or ceasing to be a QAHC (for example, the effect on a company’s accounting periods).
- (3) Part 4 makes provision about groups of companies that include QAHCs.
- (4) Part 5 makes provision about the application of provisions about close companies, exchange gains and basis of accounting to QAHCs.
- (5) Part 6 makes provision about the application of transfer pricing rules and corporate interest restriction rules to QAHCs.
- (6) Part 7 makes provision about the treatment of certain amounts payable by a QAHC.
- (7) Part 8 makes provision in relation to an overseas property business of a QAHC.
- (8) Part 9 makes provision about the taxation of disposals by QAHCs of overseas land and certain shares.
- (9) Part 10 provides for an exemption from stamp duty and stamp duty reserve tax on the repurchase by an QAHC of its own shares or loan capital.
- (10) Part 11 amends ITA 2007 to provide for an exemption from the duty to deduct under section 874 of that Act (withholding tax).
- (11) Part 12 makes supplementary provision (including provision about the meaning of terms used in this Schedule).

Conditions for being a qualifying asset holding company

- 2 (1) A company is a qualifying asset holding company if—
 - (a) it is UK resident,
 - (b) it meets the ownership condition set out in paragraph 3,

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- (c) it meets the activity condition set out in paragraph 13,
- (d) it meets the investment strategy condition set out in that paragraph,
- (e) it is ^{F1}neither a securitisation company nor] a UK REIT,
- (f) no equity securities of the company are listed or traded on a recognised stock exchange or any other public market or exchange, and
- (g) an entry notification is in force in relation to the company (see paragraph 14).

(2) But see—

- (a) paragraph 16, which allows a company to be treated as meeting the ownership condition in its first two years of being a QAHC, and
- (b) paragraph 29, which contains provision about when a company that was a QAHC ceases to be a QAHC (and see also paragraphs 27(3) to (5) and 28 which make provision about cure periods and wind-down periods).

Textual Amendments

F1 Words in Sch. 2 para. 2(1)(e) substituted (retrospective to 15.3.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 8\(1\)\(3\)](#) (with [Sch. 4 para. 8\(4\)](#))

Ownership condition

- 3 (1) The ownership condition is met in relation to a company if—
- (a) the sum of relevant interests in it held by persons who are not category A investors does not exceed 30%, and
 - (b) where the company has issued securities that entitle their holders to a greater proportion of profits or assets of a particular class (“an enhanced class”) than to other profits or assets of the company, the sum of relevant interests in that class of profits or assets held by persons who are not category A investors does not exceed 30%.
- (2) A person has a relevant interest in a company if, as a result of a direct or indirect interest the person has in the company, the person—
- (a) is beneficially entitled to a proportion of the profits available for distribution to equity holders of the company,
 - (b) is beneficially entitled to a proportion of the assets of the company for distribution to its equity holders on a winding up, or
 - (c) has a proportion of the voting power in the company,
- and the amount of that relevant interest, for the purposes of the calculation in subparagraph (1)(a), is the greatest of such of those proportions as arise as a result of that interest.
- (3) A person has a relevant interest in an enhanced class of a company if, as a result of a direct or indirect interest the person has in the company, the person—
- (a) is beneficially entitled to a proportion of the profits that fall within that class that are available for distribution to equity holders of the company, or
 - (b) is beneficially entitled to a proportion of the assets of the company that fall within that class for distribution to its equity holders on a winding up,
- and the amount of that relevant interest, for the purposes of the calculation in subparagraph (1)(b), is the greatest of such of those proportions as arise as a result of that interest.

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- (4) Paragraphs 4 to 7 set out how to determine the amounts of relevant interests.
- (5) Those amounts are to be expressed as percentages, but there is no need to adjust any of those amounts if the application of the rules in those paragraphs has the result that the total amount of relevant interests in a company or an enhanced class of a company is more than 100% (as may sometimes be the case).
- [^{F2}(5A) See also paragraph 59, which makes provision for parties to alternative finance arrangements who are equivalent to equity holders to be treated as such.]
- (6) In this paragraph—
- “securities” means—
- (a) ordinary shares within the meaning of section 160 of CTA 2010 (meaning of ordinary shares for the purposes of section 158(1)(a) of that Act), and
- (b) loans, other than normal commercial loans;
- “normal commercial loan” is to be construed in accordance with section 162 of that Act (meaning of normal commercial loan for the purposes of sections 158(1)(b) and 159(4)(b) of that Act).

Textual Amendments

F2 Sch. 2 para. 3(5A) inserted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 15\(2\)](#)

Only direct and certain indirect interests to constitute “relevant interests”

- 4 (1) An interest of a person (“T”) only constitutes a relevant interest in a company, or in an enhanced class of that company, if as a result of that interest T is—
- (a) beneficially entitled to profits or assets directly,
- (b) beneficially entitled to profits or assets—
- (i) partly directly or through a company (“C”), other than a QAHC, that is beneficially entitled to those profits or assets directly and is connected to T, and
- (ii) partly through another person that is not a QAHC or through other persons that are not QAHCs, or
- (c) beneficially entitled to profits or assets solely through one or more QAHCs.
- (2) But where T has an interest falling within sub-paragraph (1)(b) partly as a result of an entitlement through C, in determining the amount of that interest for the purposes of paragraph 3(2) or (3), ignore any amount attributable to the entitlement through C.
- [^{F3}(2A) For the purposes of sub-paragraph (1)(b)(i), a beneficial entitlement of T or C held solely through one or more QAHCs is to be treated as held by that person directly.]
- (3) For the purposes of sub-paragraph (1)(b)(ii), where—
- (a) T is connected to a person (“U”), other than C, who is not a category A investor,
- (b) U has an indirect beneficial entitlement to profits or assets of the company through another person that is not a QAHC, or through other persons that are not QAHCs, and

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- (c) that entitlement would not otherwise be included in the determination of relevant interests in the company, or in an enhanced class of the company for the purposes of paragraph 3(2) or (3),
that entitlement is to be treated as an entitlement of T.
- (4) In this paragraph, “connected”, in relation to two persons being connected with one another, is to be read in accordance with sections 1122 and 1123 of CTA 2010, but for the purposes of this paragraph section 1122(7) has effect as if any reference to a partnership did not include a partnership that is a qualifying fund.

Textual Amendments

- F3** Sch. 2 para. 4(2A) inserted (with effect in accordance with Sch. 4 para. 9(2)(3) of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 9(1)**

Determining relevant interests

- 5 (1) This paragraph applies for the purpose of determining, at any time, the proportion of profits or assets available for distribution that a person (“the relevant person”) with a relevant interest in a company (“the relevant company”), or with a relevant interest in an enhanced class of the relevant company, is beneficially entitled to.
- (2) When making a determination in relation to a relevant interest in the relevant company, only include—
- (a) profits that are, or would be if the relevant company were a QAHC, profits of its QAHC ring fence business (see paragraph 20), and
 - (b) assets that are, or would be, used wholly or partially for the purposes of that business.
- (3) When making a determination in relation to a relevant interest in an enhanced class of the relevant company, only include profits or assets falling within that class that fall within sub-paragraph (2)(a) or (b).
- (4) Sections 165 and 166 of CTA 2010 (calculation of proportion of assets and profits for distribution) and sections 169 to 178 of that Act (shares or securities with limited or temporary rights and options) apply for the purpose of determining the proportion of profits or assets available for distribution as if—
- (a) any reference to company A were to the relevant person,
 - (b) any reference to company B were to the relevant company,
 - (c) the references to the relevant accounting period were to the accounting period of the relevant company within which the determination is made,
 - (d) references in section 165 to “total profits” were to the total profits included in the determination as a result of sub-paragraph (2) or (as the case may be) (3),
 - (e) references in section 166 to the “assets amount” only included assets of the relevant company included in the determination as a result of sub-paragraph (2) or (3),
 - (f) references in that section to the “liabilities amount” only included—
 - (i) where determining relevant interests in the relevant company, such of its liabilities as are, or would be if the relevant company were a QAHC, attributable (on a just and reasonable basis) to its QAHC ring fence business, and

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- (ii) where determining relevant interests in an enhanced class of the relevant company, such of those liabilities as are also attributable (on a just and reasonable basis) to that class,
 - (g) subsection (4) of section 165 were omitted,
 - (h) in section 169(1) for “182” there were substituted “178”,
 - [^{F4}(ha) in sections 170(3) and 172(3) (shares or securities with limited or temporary rights), for “less than” there were substituted “more than”,
 - (hb) in section 174 (option arrangements)—
 - (i) in subsection (1), in Step 4, for “lowest proportion” there were substituted “highest proportion”, and
 - (ii) in subsection (2), for “less than” there were substituted “more than”,
 - (hc) in sections 175(3), 176(3), 177(3) and 178(3) (cases in which more than one of sections 170, 172, and 174 apply), for “lowest proportion” there were substituted “highest proportion”,]
 - (i) in section 170, subsection (6) were omitted,
 - (j) in sections 170(4) and 172(4), for “, 178 and 180” there were substituted “and 178”,
 - (k) in section 174(3), “and 180” were omitted, and
 - (l) in sections 173 and 174, references to the participating equity holders were—
 - (i) where determining relevant interests in the relevant company, to persons who have a relevant interest in the relevant company, or
 - (ii) where determining relevant interests in an enhanced class of the relevant company, to persons who have a relevant interest in that class.
- (5) Where a person has a beneficial entitlement to profits that arises under investment management profit-sharing arrangements, use the maximum proportional entitlement that could arise over the life of the arrangements, instead of the actual proportion at any particular time.
- (6) For the purposes of sub-paragraph (5) “investment management profit-sharing arrangements” means arrangements under which a person has a variable entitlement to a proportion of the profits of investments in connection with the provision of investment management services in relation to those investments.
- (7) Where a person is entitled to a dividend which amounts to a fee for administrative services provided in connection with investment in the relevant company, that entitlement is treated as not amounting to a relevant interest.

Textual Amendments

F4 Sch. 2 para. 5(4)(ha)-(hc) inserted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 10](#)

Determining relevant interests: transparent entities

- 6
- (1) The normal rule is that transparent entities do not have relevant interests in a company or in an enhanced class of a company (in their own right).
 - (2) But where a beneficial entitlement to profits or assets of a company, or of an enhanced class of the company, arises as a result of a person’s participation in a transparent qualifying fund—

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- (a) where the beneficial entitlement arises partly as described in paragraph 4(1)(b)(i), the entitlement arising as a result of that participation is to be treated as an entitlement of that person described in paragraph 4(1)(b)(ii) (entitlement partly through another person), and
- (b) otherwise, is to be treated as an entitlement of the fund (rather than of that person).

And references to a person in this paragraph, and in paragraphs 3 to 5, are to be treated as including any such fund that is not a person.

- (3) Where securities of a company held through a transparent qualifying fund confer voting power in that company, that voting power is to be treated as power of the fund.
- (4) Sub-paragraphs (5) and (6) apply when making a determination in relation to the relevant interests in a company or in an enhanced class of a company of—
 - (a) a partner of a partnership, or
 - (b) a beneficiary of a trust under which the beneficiary is absolutely entitled to the property which is the subject of the trust and any profits arising from that property,
unless the partnership or trust constitutes a transparent qualifying fund.

- (5) Where—
 - (a) such a partner or a trustee of such a trust has a priority entitlement, over other partners or trustees, to profits or gains arising from the partnership or trust, and
 - (b) that priority entitlement arises as a result of contractual arrangements relating to the management of the investments of the partnership or trust,
those profits or gains are to be ignored in making any determination of any person’s relevant interest in a company or in an enhanced class of a company to the extent the entitlement is related to those arrangements.
- (6) Where securities of a company held through such a partnership or trust confer voting power in that company, that power is to be treated as the power of the partners, or (as the case may be) the beneficiaries, divided between them in the same proportions as they would be entitled to profits arising from those securities.

- (7) In this paragraph—
 - “securities” has the same meaning it has in paragraph 3;
 - an entity (“E”) is “transparent” if investments of E would be regarded, for the purposes of corporation tax on chargeable gains, as the investments of another entity (such as a member or partner of E or the beneficiary of a trust).

References to voting power

- 7 (1) References to “voting power” in paragraphs 3 to 6 are to be construed in accordance with this paragraph.
- (2) The amount of voting power a person has in a company is to be determined by reference to the proportion of the voting power that person has in the case of a vote at a forum of the company’s members (for example, in the case of a company incorporated in the United Kingdom, at its annual general meeting) on a standard resolution.

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- (3) The reference in sub-paragraph (2) to a standard resolution is to a resolution in relation to which there are no rules specific to resolutions of that type which vary the voting power of members in relation to a resolution of that type as compared to other types of resolutions.

Category A investors

- 8 (1) The following are category A investors—
- (a) a QAHC;
 - (b) a qualifying fund (see paragraph 9);
 - (c) a relevant qualifying investor (see paragraph 10);
 - (d) an intermediate company (see paragraph 11);
 - (e) a public authority falling within sub-paragraph (2).
- (2) Those public authorities are—
- (a) any Minister of the Crown (within the meaning of the Ministers of the Crown Act 1975);
 - (b) any United Kingdom government department;
 - (c) the Scottish Ministers;
 - (d) any Northern Ireland department;
 - (e) the Welsh Ministers;
 - (f) any local authority or local authority association in the United Kingdom;
 - (g) the Education Authority of Northern Ireland;
 - (h) the Northern Ireland Housing Executive;
 - (i) any health service body (within the meaning given by section 985 of CTA 2010);
 - (j) any public authority who exercises public functions in connection with the coordination or provision of public transport for a region of the United Kingdom (for example, Transport for London or an executive for an integrated transport area, a combined authority area or a passenger transport area).
- (3) The Treasury may by regulations provide that any other public authority specified, or falling within a description specified, in the regulations is also a category A investor.

Qualifying funds

- 9 (1) In this Schedule “qualifying fund” means a fund that meets the diversity of ownership condition.
- (2) The diversity of ownership condition is met if—
- (a) the fund is a collective investment scheme [^{F5}, or is an AIF that is not a collective investment scheme only by reason of it being a body corporate,] and—
 - (i) [^{F6}the fund meets or, if the fund is part of multi-vehicle arrangements, the arrangements meet] the conditions in regulation 75(2), (3) and (4)(a) of the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001) (genuine diversity of ownership condition), or

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- (ii) [F⁷the fund or those multi-vehicle arrangements] would meet the condition in regulation 75(5) of those regulations, if regulation 75(4)(b) were omitted,
 - (b) the fund is not close (whether or not it is a collective investment scheme), or
 - (c) the fund is 70% controlled by category A investors.
- (3) For the purpose of applying the conditions referred to in sub-paragraph (2)(a)(i) and (ii)—
 - [F⁸(za) the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001) have effect as if references to a fund included—
 - (i) multi-vehicle arrangements,
 - (ii) a collective investment scheme which is not an offshore fund, and
 - (iii) an AIF that is not a collective investment scheme only by reason of it being a body corporate (and which is not an offshore fund);]
 - (a) the condition in regulation 75(2) of [F⁹those Regulations] is to be treated as met in relation to a fund [F¹⁰or multi-vehicle arrangements] marketed before 1 April 2022 if the fund [F¹¹or multi-vehicle arrangements] has produced, and made available to HMRC, a statement prepared by the manager of the fund [F¹¹or multi-vehicle arrangements] which—
 - (i) specifies the intended categories of investor when the fund [F¹²or multi-vehicle arrangements] was marketed,
 - (ii) confirms that, and describes how, the interests in the fund [F¹³or multi-vehicle arrangements] were made widely available, and
 - (iii) confirms that, and describes how, interests in the [F¹⁴fund or multi-vehicle arrangements] were marketed and made available in accordance with the requirements of regulation 75(4)(a) of those regulations (and that provision is to be read accordingly);
 - (b) the fact that (for any reason) the capacity of a fund [F¹⁵or multi-vehicle arrangements] to receive investments is limited does not prevent regulation 75(3) of those regulations (including as it applies for the purposes of regulation 75(5) of those regulations) from being met.
- (4) Sub-paragraph (3)(b) does not apply if—
 - (a) the limited capacity of the fund [F¹⁶or multi-vehicle arrangements] to receive investments is fixed by the documents of the fund [F¹⁶or multi-vehicle arrangements] (or otherwise), and
 - (b) a pre-determined number of specific persons, or specific groups of connected persons (within the meaning of section 1122 of CTA 2010 (“connected” persons)), make investments in the fund [F¹⁶or multi-vehicle arrangements] that collectively exhausts all, or substantially all, of that capacity.
- (5) To determine if a fund is close—
 - (a) in the case of a company [F¹⁷that has share capital], determine whether it is a close company in accordance with the rules in Chapter 2 of Part 10 of CTA 2010 but—
 - (i) any person who would be regarded as a participator (for the purposes of that Part) only as a result of being a creditor of the fund in respect of a normal commercial loan (within the meaning it has in paragraph 3) is not to be regarded as a participator,

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- (ii) any interest a participator has as a creditor of the fund in respect of a normal commercial loan is not to be regarded as an interest of that participator,
 - (iii) as if paragraph (a) of section 450(3) of that Act were omitted,
 - (iv) paragraphs 5(5) and 6(5) and (6) of this Schedule apply for the purposes of determining the rights of participators in the fund as they apply for the purposes of determining relevant interests in a QAHC, and
 - (v) subject to the modifications set out in paragraph 46(2)(a) to (e) of Schedule 5AAA to TCGA 1992 (meaning of close company etc), or
- (b) in the case of any other fund, make that same determination—
 - (i) as if the fund were a company [F18that has share capital], and
 - (ii) as if the rights of the participants in the fund were shares in a company.
- (6) In making a determination under sub-paragraph (5)(b), neither a manager of a fund nor a general partner in a limited partnership that is a collective investment scheme [F19, or is an AIF that is not a collective investment scheme only by reason of it being a body corporate,] is to be regarded as having control of that fund or scheme unless that manager or partner would be treated as having control of it as result of satisfying a condition in section 450(3)(b) to (d) of CTA 2010 (whether alone or with other persons).
- (7) A fund is 70% controlled by category A investors if a category A investor, or more than one category A investor between them, directly or indirectly possesses—
 - (a) 70% or more of the voting power in the fund,
 - (b) so much of the fund as would, on the assumption that the whole of the income of the fund were distributed among persons with interests in the fund, entitle that investor or those investors to receive 70% or more of the amount so distributed, and
 - (c) such rights as would entitle that investor or those investors, in the event of the winding up of the fund or in any other circumstances, to receive 70% or more of the assets of the fund which would then be available for distribution among persons with interests in it.
- (8) For the purposes of sub-paragraph (7)—
 - (a) a category A investor indirectly possesses something if the investor possesses it through a body corporate or a series of bodies corporate;
 - (b) the interests of the participants in a category A investor that is a collective investment scheme that is transparent (within the meaning given by paragraph 6(7)) are to be treated as interests of the investor (instead of its participants) if that investor meets the diversity of ownership condition as a result of sub-paragraph (2)(a);
 - (c) in determining, for the purposes of sub-paragraph (7)(b) or (c), proportions of income or assets persons with an interest in the fund would be entitled to, ignore any interest any person has as a creditor of the fund in respect of a normal commercial loan (within the meaning it has in paragraph 3);
 - (d) paragraphs 5(5) and 6(5) and (6) apply for the purposes of determining the interests of persons in a fund as they apply for the purposes of determining relevant interests in a QAHC.

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- (9) For the purposes of sub-paragraphs (5)(a)(i) and (ii) (as they apply by virtue of sub-paragraph (5)(b)) and (8)(c), references to a creditor of a fund are to be treated, in the case of a fund that is a partnership, as not including any creditor who is a partner of that fund.
- (10) In this paragraph—
- “fund” means a collective investment scheme or an AIF;
 - “manager”, in relation to a fund, means—
 - (a) any person who is the manager of the property that is the subject of or held by the fund, or
 - (b) any other person who has, or is expected to have, day-to-day control of that property;
- [^{F20}“multi-vehicle arrangements” means arrangements comprising two or more funds under which an investor in one of those funds would reasonably regard that investment as an investment in the arrangements as a whole rather than exclusively in any particular fund].

Textual Amendments

- F5** Words in Sch. 2 para. 9(2)(a) inserted (retrospectively) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 11(1)(a)(2)**
- F6** Words in Sch. 2 para. 9(2)(a)(i) substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(2)(a)**
- F7** Words in Sch. 2 para. 9(2)(a)(ii) substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(2)(b)**
- F8** Sch. 2 para. 9(3)(za) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(a)**
- F9** Words in Sch. 2 para. 9(3)(a) substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(b)(i)**
- F10** Words in Sch. 2 para. 9(3)(a) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(b)(ii)**
- F11** Words in Sch. 2 para. 9(3)(a) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(b)(iii)**
- F12** Words in Sch. 2 para. 9(3)(a)(i) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(c)(i)**
- F13** Words in Sch. 2 para. 9(3)(a)(ii) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(c)(i)(ii)**
- F14** Words in Sch. 2 para. 9(3)(iii) substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(c)(iii)**
- F15** Words in Sch. 2 para. 9(3)(b) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(3)(d)**
- F16** Words in Sch. 2 para. 9(4) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(4)**
- F17** Words in Sch. 2 para. 9(5)(a) inserted (retrospectively) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 11(1)(b)(i)(2)**
- F18** Words in Sch. 2 para. 9(5)(b)(i) inserted (retrospectively) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 11(1)(b)(ii)(2)**
- F19** Words in Sch. 2 para. 9(6) inserted (retrospectively) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 11(1)(c)(2)**
- F20** Words in Sch. 2 para. 9(10) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 12(5)**

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Relevant qualifying investors

- 10 The following persons are relevant qualifying investors—
- (a) a person acting in the course of a long-term insurance business (that is, the activity of effecting or carrying out contracts of long-term insurance within the meaning of the Financial Services and Markets (Regulated Activities) Order 2001 (S.I. 2001/544)) who—
 - (i) is authorised under FISMA 2000 to carry on such business, or
 - (ii) has an equivalent authorisation under the law of a territory outside the United Kingdom to carry on such business;
 - (b) a person who cannot be liable for corporation tax or income tax (as relevant) on the ground of sovereign immunity;
 - (c) a UK REIT;
 - (d) a person who is resident in a territory outside the United Kingdom in accordance with the law of that territory relating to taxation and is the equivalent of a UK REIT;
 - (e) a company that is a collective investment vehicle for the purposes of Schedule 5AAA to TCGA 1992 as a result of any of paragraphs (d), (e) or (f) of paragraph 1(1) of that Schedule (non-UK resident company meeting property income condition);
 - (f) the trustee or manager of a pension scheme (within the meaning given by section 150(1) of FA 2004) other than an investment-regulated pension scheme (within the meaning given by paragraphs 1 and 2 of Schedule 29A to that Act);
 - (g) a charity, unless—
 - (i) the main source of donations to that charity is—
 - (a) individuals involved in the management of the company in respect of which the charity would otherwise be a relevant qualifying investor, and
 - (b) persons connected (within the meaning of section 1122 of CTA 2010 (“connected” persons)) with such individuals, or
 - (ii) the charity is controlled (within the meaning of section 450 of that Act) by such individuals or persons.

Intermediate company

- 11 (1) For the purposes of this Part of this Schedule, a company is an “intermediate company” if—
- (a) it meets the activity condition in paragraph 13(1), and
 - (b) it is wholly or almost wholly owned by another category A investor, other than a QAHC, or by other category A investors who are not QAHCs.
- (2) For the purposes of sub-paragraph (1), a company is wholly or almost wholly owned by a category A investor, or by category A investors, if that investor has, or those investors between them have, a 99% investment in the company.
- (3) Whether a category A investor has, or category A investors between them have, a 99% investment in a company is determined by applying paragraph 9 of Schedule 1A to TCGA 1992 (meaning of “25% investment”) as if—
- (a) in sub-paragraph (1) of that paragraph—

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- (i) for the words before paragraph (a) there were substituted “A category A investor or category A investors together (“P”) has or have a 99% investment in a company (“C”) if all of the following conditions are met—”;
- (ii) paragraph (a) were omitted;
- (iii) in each of paragraphs (b), (c) and (d), for “25%” there were substituted “99%”;
- (iv) for the “or” at the end of paragraph (c) there were substituted “and”;
- (b) in sub-paragraph (7), “or indirect” were omitted in both places it occurs;
- (c) sub-paragraphs (8) and (9) were omitted;
- (d) any reference to a person, other than the references in sub-paragraph (11) of that paragraph, included a qualifying fund that is transparent (within the meaning given by paragraph 6(7)), and any interests of its participants that are held through the fund were interests of the fund itself;
- (e) paragraph 10 of that Schedule were omitted.

Requirement of QAHC to monitor compliance with ownership condition

- 12 A QAHC must take reasonable steps to monitor whether the ownership condition is met in relation to it.

Activity condition and investment strategy condition

- 13 (1) The activity condition is met if—
- (a) the main activity of the company is the carrying on of an investment business, and
 - (b) the other activities of the company (if any)—
 - (i) are ancillary to the carrying on of that business, and
 - (ii) are not carried on to any substantial extent.
- (2) The investment strategy condition is met if the company’s investment strategy does not involve—
- (a) the acquisition of equity securities that are listed or traded on a recognised stock exchange or any other public market or exchange otherwise than for the purpose of facilitating a change in control of the issuer of those securities with the result that its securities are no longer so listed or traded, or
 - (b) other interests that derive their value from such securities.
- ^[F21](3) A company (“C”) may make an election under this sub-paragraph that all relevant equity securities held by C are to be treated as if they were not equity securities listed or traded on a recognised stock exchange or any other public market or exchange for the purposes of—
- (a) the investment strategy condition as it applies to C, and
 - (b) that condition as it applies to any other company with a relevant interest in C.
- (4) Equity securities are “relevant” if—
- (a) they are listed or traded on a recognised stock exchange or any other public market or exchange,
 - (b) they are held directly by C,

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- (c) they were not acquired at a time when the election had effect from a company that is a member of the same group as C, other than a company that was a QAHC at the time of the acquisition, and
 - (d) where C has previously been and ceased being a QAHC, they were acquired after the most recent occasion on which C became a QAHC.
- (5) An election under [sub-paragraph \(3\)](#)—
 - (a) must be notified to HMRC,
 - (b) has effect only while the company is a QAHC,
 - (c) is revoked on the company ceasing to be a QAHC, and
 - (d) may not otherwise be revoked.
- (6) Where an election under [sub-paragraph \(3\)](#) has effect, any dividend or other distribution received by C in respect of relevant equity securities that would otherwise be exempt for the purposes of section 931A(1) of CTA 2009 (charge to tax on distributions received) is to be treated as not exempt for the purposes of that section.
- (7) Where—
 - (a) C disposes of relevant equity securities (“the dispossessed securities”), and
 - (b) within the period of thirty days after the disposal, C acquires securities (“the acquired securities”) of the same class,any dividend or other distribution received by a person in respect of holding the acquired securities in the period (“the dispossession period”) commencing with the disposal by C of the dispossessed securities and ending with the acquisition by C of the acquired securities is to be treated as having been received by C for Corporation Tax purposes.
- (8) But the amount of any dividend or other distribution treated as received by C as a result of [sub-paragraph \(7\)](#) is limited to the amount of the dividend or other distribution C would have received had C held the dispossessed securities throughout the dispossession period.
- (9) Equity securities are not to be treated as being of the same class unless they are so treated by the practice of the recognised stock exchange, other public market or exchange they are listed or traded on.]

Textual Amendments

F21 Sch. 2 para. 13(3)-(9) inserted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 13\(1\)](#)

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