



Finance Act 1981

1981 CHAPTER 35

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

RELIEF FOR INVESTMENT IN NEW CORPORATE TRADES

55 New qualifying companies

- (1) A company is a qualifying company if it is incorporated in the United Kingdom and complies with the requirements of subsections (2) to (8) below and is a new company until the end of the period of five years beginning with the date of its incorporation or, if later, the date on which it commenced business.
- (2) The company must throughout the relevant period be resident in the United Kingdom and not resident elsewhere.
- (3) The company must throughout that period exist wholly, or substantially wholly, for the purpose of carrying on wholly or mainly in the United Kingdom one or more new qualifying trades.
- (4) Without prejudice to the generality of subsection (3) above but subject to subsection (5) below, a company ceases to comply with subsection (3) above if before the end of the relevant period a resolution is passed, or an order is made, for the winding up of the company (or, in the case of a winding up otherwise than under the Companies Act 1948 or the Companies Act (Northern Ireland) 1960, any other act is done for the like purpose) or the company is dissolved without winding up.
- (5) A company shall not be regarded as ceasing to comply with subsection (2) or (3) above if it does so by reason of being wound up or dissolved without winding up and—

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- (a) it is shown that the winding up or dissolution is for bona fide commercial reasons and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax ; and
 - (b) the company's net assets, if any, are distributed to its members or dealt with as bona vacantia before the end of the relevant period or, in the case of a winding up, the end (if later) of three years from the commencement of the winding up.
- (6) Where the relevant period begins after the incorporation of the company the requirements of subsection (3) above must have been complied with since its incorporation ; but for the purposes of subsections (2) and (3) above any interval between the incorporation of the company and the time when it commenced business shall be disregarded.
- (7) The company's share capital must not at any time in the relevant period include—
- (a) share capital other than ordinary share capital or fixed-interest preference share capital;
 - (b) classes of ordinary shares with different rights in respect of matters other than voting; or
 - (c) issued shares that are not fully paid up.
- (8) Subject to section 65 below, the company must not at any time in the relevant period—
- (a) control (or together with any person connected with it control) another company or be under the control of another company (or of another company and any person connected with that other company); or
 - (b) be a 51 per cent, subsidiary of another company or itself have a 51 per cent, subsidiary;

and no arrangements must be in existence at any time in that period by virtue of which the company could fall within paragraph (a) or (b) above.