

## SCHEDULES

### SCHEDULE 19

#### APPORTIONMENT OF INCOME OF CLOSE COMPANIES

##### PART I

##### DETERMINATION OF RELEVANT INCOME AND DISTRIBUTIONS

###### *Meaning of “trading company” and “member of a trading group”*

- 7 (1) For the purposes of this Chapter, a “trading company” is any company which exists wholly or mainly for the purpose of carrying on a trade, and any other company whose income does not consist wholly or mainly of investment income, that is to say, income which, if the company were an individual, would not be earned income; but for this purpose any amount which is apportioned to a company under section 423(1) shall be deemed to be income of the company and to be investment income.
- (2) Subject to sub-paragraph (3) below, for the purposes of this Chapter, a company is to be treated as a member of a trading group if, but only if—
- (a) it exists wholly or mainly for the purpose of co-ordinating the administration of a group of two or more companies each of which is under its control and exists wholly or mainly for the purpose of carrying on a trade; or
  - (b) it is under the control of another company resident in the United Kingdom and not itself under the control of a third company, and it exists wholly or mainly for the purpose of a trade or trades carried on by that other company or by a group which, consisting of that other company and a company or companies also under its control and resident in the United Kingdom, exists wholly or mainly for the purpose of carrying on that trade or trades.
- (3) A company shall not be treated as a member of a trading group by reason only of any company having the control of another if that control is exercised through a company which is not resident in the United Kingdom or through a company whose control depends on a holding a profit on the sale of which would be treated as a trading receipt of the company.