

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

## SCHEDULES

### [<sup>F1</sup>SCHEDULE 7AC

#### EXEMPTIONS FOR DISPOSALS BY COMPANIES WITH SUBSTANTIAL SHAREHOLDING

##### Textual Amendments

- F1** Sch. 7AC inserted (with effect in accordance with s. 44(3)(4) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 8 para. 1](#)

### PART 1

#### THE EXEMPTIONS

##### *The main exemption*

- 1 (1) A gain accruing to a company (“the investing company”) on a disposal of shares or an interest in shares in another company (“the company invested in”) is not a chargeable gain if the requirements of this Schedule are met.
- (2) The requirements are set out in—  
Part 2 (the substantial shareholding requirement), and  
Part 3 (requirements to be met in relation to <sup>F2</sup>... the company invested in).
- (3) The exemption conferred by this paragraph does not apply in the circumstances specified in paragraph 5 or the cases specified in paragraph 6.

##### Textual Amendments

- F2** Words in Sch. 7AC para. 1(2) omitted (with effect in accordance with s. 27(6) of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 27\(2\)\(a\)](#)

##### *Subsidiary exemption: disposal of asset related to shares where main exemption conditions met*

- 2 (1) A gain accruing to a company (“company A”) on a disposal of an asset related to shares in another company (“company B”) is not a chargeable gain if either of the following conditions is met.
- (2) The first condition is that—  
(a) immediately before the disposal company A holds shares or an interest in shares in company B, and  
(b) any gain accruing to company A on a disposal at that time of the shares or interest would, by virtue of paragraph 1, not be a chargeable gain.

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (3) The second condition is that—
- (a) immediately before the disposal company A does not hold shares or an interest in shares in company B but is a member of a group and another member of that group does hold shares or an interest in shares in company B, and
  - (b) if company A, rather than that other company, held the shares or interest, any gain accruing to company A on a disposal at that time of the shares or interest would, by virtue of paragraph 1, not be a chargeable gain.
- (4) Where assets of a company are vested in a liquidator under section 145 of the Insolvency Act 1986 or Article 123 of the Insolvency (Northern Ireland) Order 1989 or otherwise, this paragraph applies as if the assets were vested in, and the acts of the liquidator in relation to the assets were the acts of, the company (acquisitions from or disposals to him by the company being disregarded accordingly).
- (5) The exemption conferred by this paragraph does not apply in the circumstances specified in paragraph 5 or the cases specified in paragraph 6.

*Subsidiary exemption: disposal of shares or related asset where main exemption conditions previously met*

- 3 (1) A gain accruing to a company (“company A”) on a disposal of shares, or an interest in shares or an asset related to shares, in another company (“company B”) is not a chargeable gain if the following conditions are met.
- (2) The conditions are—
- (a) that at the time of the disposal company A meets the requirement in paragraph 7 (the substantial shareholding requirement) in relation to company B;
  - (b) that a chargeable gain or allowable loss would, apart from this paragraph, accrue to company A on the disposal<sup>F3</sup> ... ;
  - (c) that at the time of the disposal—
    - (i) company A is resident in the United Kingdom, or
    - (ii) any chargeable gain accruing to company A on the disposal [<sup>F4</sup>would be chargeable to corporation tax as a result of section 2B(3) or (4)];
  - (d) that there was a time within the period of two years ending with the disposal (“the relevant period”) when, if—
    - (i) company A, or
    - (ii) a company that at any time in the relevant period was a member of the same group as company A,
 had disposed of shares or an interest in shares in company B that it then held, a gain accruing would, by virtue of paragraph 1, not have been a chargeable gain; and
  - (e) that, if at the time of the disposal the requirements of paragraph 19 (requirements relating to company invested in) are not met in relation to company B, there was a time within the relevant period when company B was controlled by—
    - (i) company A, or
    - (ii) company A together with any persons connected with it, or

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

- (iii) a company that at any time in the relevant period was a member of the same group as company A, or
- (iv) any such company together with any persons connected with it.

<sup>F5</sup>(3) . . . . .

- (4) In determining for the purpose of sub-paragraph (2)(d) whether a gain accruing on the hypothetical disposal referred to would have been a chargeable gain, the requirements <sup>F6</sup>... of paragraph 19(1)(b) (requirement as to company invested in to be met immediately after the disposal) shall be assumed to be met.
- (5) Where—
  - (a) immediately before the disposal company B holds an asset,
  - (b) the expenditure allowable in computing any gain or loss on that asset, were it to be disposed of by company B immediately before that disposal, would fall to be reduced because of a claim to relief under section 165 (gifts relief) in relation to an earlier disposal, and
  - (c) that earlier disposal took place within the relevant period,sub-paragraph (1) does not prevent a gain accruing to company A on the disposal from being a chargeable gain but any loss so accruing is not an allowable loss.
- (6) Where assets of company B are vested in a liquidator under section 145 of the Insolvency Act 1986 or Article 123 of the Insolvency (Northern Ireland) Order 1989 or otherwise, sub-paragraph (5)(a) applies as if the assets were vested in the company.
- (7) In determining “the relevant period” for the purposes of sub-paragraph (2)(d) or (e) or sub-paragraph (5)(c), section 28 (time of disposal under contract) applies with the omission of subsection (2) (postponement of time of disposal in case of conditional contract).
- (8) The exemption conferred by this paragraph does not apply in the circumstances specified in paragraph 5 or the cases specified in paragraph 6.

**Textual Amendments**

- F3** Words in Sch. 7AC para. 3(2)(b) omitted (with effect in accordance with s. 27(6) of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), s. [27\(2\)\(b\)\(i\)](#)
- F4** Words in [Sch. 7AC para. 3\(2\)\(c\)\(ii\)](#) substituted (with effect in accordance with Sch. 1 paras. 120, 123 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 1 para. 92](#)
- F5** Sch. 7AC para. 3(3) omitted (with effect in accordance with s. 27(6) of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), s. [27\(2\)\(b\)\(ii\)](#)
- F6** Words in Sch. 7AC para. 3(4) omitted (with effect in accordance with s. 27(6) of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), s. [27\(2\)\(b\)\(iii\)](#)

<sup>F7</sup>*Subsidiary exemption: qualifying institutional investors*

**Textual Amendments**

- F7** [Sch. 7AC paras. 3A, 3B](#) and cross-heading inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), s. [28\(2\)](#)

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- 3A (1) This paragraph applies in relation to a gain or loss accruing to a company (“the investing company”) on a disposal of shares or an interest in shares in another company (“the company invested in”).
- (2) This paragraph applies if—
- (a) the requirement in paragraph 7 is met (substantial shareholder requirement),
  - (b) the requirement in paragraph 19 is not met (requirement relating to company invested in), and
  - (c) the investing company is not a disqualified listed company.
- (3) If, immediately before the disposal, 80% or more of the ordinary share capital of the investing company is owned by qualifying institutional investors, no chargeable gain or loss accrues on the disposal.
- (4) If, immediately before the disposal, at least 25% but less than 80% of the ordinary share capital of the investing company is owned by qualifying institutional investors, the amount of the chargeable gain or loss accruing on the disposal is reduced by the percentage of the ordinary share capital of the investing company which is owned by the qualifying institutional investors.
- (5) A company is a “disqualified listed company” for the purposes of this Part of this Schedule if—
- (a) any of the shares forming part of the ordinary share capital of the company are listed on a recognised stock exchange,
  - (b) the company is not a qualifying institutional investor, and
  - (c) the company is not a qualifying UK REIT
- (6) In sub-paragraph (5)(c) “qualifying UK REIT” means a UK REIT within the meaning of Part 12 of CTA 2010 which—
- (a) meets the condition in section 528(4)(b) of that Act (company not a close company by virtue of having an institutional investor as a participant), or
  - (b) by virtue of section 443 of that Act (companies controlled by or on behalf of Crown) is not treated as a close company.
- 3B (1) This paragraph applies for the purposes of paragraph 3A.
- (2) A person “owns” ordinary share capital if the person owns it—
- (a) directly,
  - (b) indirectly, or
  - (c) partly directly and partly indirectly.
- (3) Sections 1155 to 1157 of CTA 2010 (meaning of “indirect ownership” and calculation of amounts owned indirectly) apply for the purposes of sub-paragraph (2).
- (4) For the purposes of sections 1155 to 1157 of CTA 2010 as applied by sub-paragraph (3)—
- (a) ordinary share capital may not be owned through a disqualified listed company;
  - (b) treat references to a body corporate as including an exempt unauthorised unit trust (and references to ordinary share capital, in the case of such a trust, as references to units in the trust).

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

- (5) A person is also to be regarded as owning ordinary share capital in a company in circumstances where a person would, under paragraphs 12 and 13 of this Schedule, be regarded as holding shares in a company.
- (6) Where the assets of a partnership include ordinary share capital of a company, each partner is to be regarded as owning a proportion of that share capital equal to the partner's proportionate interest in that ordinary share capital.
- (7) In this Schedule “exempt unauthorised unit trust” has the same meaning as in the Unauthorised Unit Trusts (Tax) Regulations 2013 (SI 2013/2819).]

*Application of exemptions in priority to provisions deeming there to be no disposal etc*

- 4 (1) For the purposes of determining whether an exemption conferred by this Schedule applies, the question whether there is a disposal shall be determined without regard to—
  - (a) section 116(10) (reorganisation, conversion of securities, etc treated as not involving disposal),
  - (b) section 127 (share reorganisations etc treated as not involving disposal), or
  - (c) section 192(2)(a) (distribution not treated as capital distribution).
- (2) Sub-paragraph (1) does not apply to a disposal of shares if the effect of its applying would be that relief attributable to the shares under Schedule 15 to the Finance Act 2000 (corporate venturing scheme) would be withdrawn or reduced under paragraph 46 of that Schedule (withdrawal or reduction of investment relief on disposal of shares).
- (3) Where or to the extent that an exemption conferred by this Schedule does apply—
  - (a) the provisions mentioned in sub-paragraph (1)(a) and (b) do not apply in relation to the disposal, and
  - (b) the provision mentioned in sub-paragraph (1)(c) does not apply in relation to the subject matter of the disposal.
- (4) Where section 127 is disapplied by sub-paragraph (3)(a) in a case in which that section would otherwise have applied in relation to the disposal by virtue of paragraph 84 of Schedule 15 to the Finance Act 2000 (corporate venturing scheme: share exchanges), paragraph 85 of that Schedule (attribution of relief to new shares) does not apply.
- (5) In this paragraph any reference to section 127 includes a reference to that provision as applied by any enactment relating to corporation tax.

*Circumstances in which exemptions do not apply*

- 5 (1) Where in pursuance of arrangements to which this paragraph applies—
  - (a) an untaxed gain accrues to a company (“company A”) on a disposal of shares, or an interest in shares or an asset related to shares, in another company (“company B”), and
  - (b) before the accrual of that gain—
    - (i) company A acquired control of company B, or the same person or persons acquired control of both companies, or

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (ii) there was a significant change of trading activities affecting company B at a time when it was controlled by company A, or when both companies were controlled by the same person or persons, none of the exemptions in this Schedule applies to the disposal.
- (2) This paragraph applies to arrangements from which the sole or main benefit that (but for this paragraph) could be expected to arise is that the gain on the disposal would, by virtue of this Schedule, not be a chargeable gain.
- (3) For the purposes of sub-paragraph (1)(a) a gain is “untaxed” if the gain, or all of it but a part that is not substantial, represents profits that have not been brought into account (in the United Kingdom or elsewhere) for the purposes of tax on profits for a period ending on or before the date of the disposal.
- (4) The reference in sub-paragraph (3) to profits being brought into account for the purposes of tax on profits includes a reference to the case where—
- (a) an amount in respect of those profits is apportioned to a company resident in the United Kingdom by virtue of subsection (3) of section 747 of the Taxes Act 1988 (imputation of chargeable profits etc of controlled foreign companies), and
  - (b) a sum is chargeable on that company in respect of that amount by virtue of subsection (4) of that section for an accounting period of that company ending on or before the date of the disposal.
- (5) For the purposes of sub-paragraph (1)(b)(ii) there is a “significant change of trading activities affecting company B” if—
- (a) there is a major change in the nature or conduct of a trade carried on by company B or a 51% subsidiary of company B, or
  - (b) there is a major change in the scale of the activities of a trade carried on by company B or a 51% subsidiary of company B, or
  - (c) company B or a 51% subsidiary of company B begins to carry on a trade.
- (6) In this paragraph—
- “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable;
- “major change in the nature or conduct of a trade” has the same meaning as in [F8section 673 of CTA 2010] (change of ownership of company: disallowance of trading losses);
- “profits” means income or gains (including unrealised income or gains).

#### **Textual Amendments**

- F8** Words in Sch. 7AC para. 5(6) 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. 269\(2\)](#) (with Sch. 2)

#### *Other cases excluded from exemptions*

- 6 (1) The exemptions conferred by this Schedule do not apply—
- (a) to a disposal that by virtue of any enactment relating to chargeable gains is deemed to be for a consideration such that no gain or loss accrues to the person making the disposal,

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

- (b) to a disposal a gain on which would, by virtue of any enactment not contained in this Schedule, not be a chargeable gain, or
  - (c) to a deemed disposal under [<sup>F9</sup>any of sections 116 to 118 of the Finance Act 2012] (deemed disposal on transfer of asset of insurance company from one category to another).
- (2) The hypothetical disposal referred to in paragraph 2(2)(b) or (3)(b) or paragraph 3(2)(d) shall be assumed not to be a disposal within sub-paragraph (1)(a), (b) or (c) above.

#### Textual Amendments

**F9** Words in Sch. 7AC para. 6(1)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 88\(2\)](#)

#### Modifications etc. (not altering text)

**C1** Sch. 7AC para. 6 excluded by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 782A\(3\)](#) (as inserted (with effect in accordance with s. 26(5) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 26\(3\)](#))

## PART 2

### THE SUBSTANTIAL SHAREHOLDING REQUIREMENT

#### *The requirement*

- 7 The investing company must have held a substantial shareholding in the company invested in throughout a twelve-month period beginning not more than [<sup>F10</sup>six] years before the day on which the disposal takes place.

#### Textual Amendments

**F10** Word in [Sch. 7AC para. 7](#) substituted (with effect in accordance with s. 27(6) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 27\(3\)](#)

#### *Meaning of “substantial shareholdin”g*

- 8 (1) For the purposes of this Schedule a company holds a “substantial shareholding” in another company if it holds shares or interests in shares in that company by virtue of which—
- (a) it holds not less than 10% of the company’s ordinary share capital,
  - (b) it is beneficially entitled to not less than 10% of the profits available for distribution to equity holders of the company, and
  - (c) it would be beneficially entitled on a winding up to not less than 10% of the assets of the company available for distribution to equity holders.

This is without prejudice to what is meant by “substantial” where the word appears in other contexts.

- [<sup>F11</sup>(2) Chapter 6 of Part 5 of CTA 2010 (group relief: equity holders and profits or assets available for distribution) applies for the purposes of sub-paragraph (1) as it applies for the purposes of the provisions mentioned in section 157(1) of that Act, [<sup>F12</sup>but as if—

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (a) in section 158 of that Act after subsection (2) there were inserted—
- “(2A) But for those purposes a person carrying on a business of banking is not treated as a loan creditor of a company in respect of any loan capital or debt issued or incurred by the company for money lent by the person to the company in the ordinary course of that business.”,
- and
- (b) sections 171(1)(b) and (3), 173, 174 and 176 to 181 of that Act were omitted.]]

#### Textual Amendments

- F11** Sch. 7AC para. 8(2) substituted for Sch. 7AC para. 8(2)(3) (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. 269(3)** (with Sch. 2)
- F12** Words in Sch. 7AC para. 8(2) substituted (with retrospective effect in accordance with art. 1(2) of the amending S.I.) by [The Corporation Tax Act 2010 \(Amendment\) Order 2010 \(S.I. 2010/2902\)](#), arts. 1(1), **2(3)**

- [<sup>F13</sup>8A (1) This paragraph applies in a case where at least 25% of the ordinary share capital of the investing company is owned by qualifying institutional investors.
- (2) The investing company also holds a “substantial shareholding” in the company invested in for the purposes of this Schedule if—
- (a) the investing company holds ordinary shares, or interests in ordinary shares, in the company invested in the cost of which on acquisition was at least £20,000,000, and
- (b) by virtue of those shares or interests or any other shares or interests in shares in the company invested in, the investing company—
- (i) is beneficially entitled to not less than a proportionate percentage of the profits available for distribution to equity holders of the company invested in, and
- (ii) would be beneficially entitled on a winding up to not less than a proportionate percentage of the assets of the company invested in available for distribution to equity holders.
- (3) In sub-paragraph (2)—
- “cost” means the amount or value of the consideration, in money or money's worth, given by the investing company or on its behalf wholly and exclusively for the acquisition of the ordinary shares or interests in ordinary shares, together with the incidental costs to it of the acquisition;
- “proportionate percentage” means a percentage equal to the percentage of the ordinary share capital held by the investing company by virtue of the ordinary shares and interests in ordinary shares referred to in sub-paragraph (2)(a).
- (4) For the purposes of sub-paragraph (2)(a) it does not matter whether there was a single acquisition or a series of acquisitions.
- (5) If—
- (a) the percentage (“the actual percentage”) of the profits or assets to which the investing company is, or would be, beneficially entitled as mentioned in sub-paragraph (2)(b)(i) or (ii) is less than the proportionate percentage, but



*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

- (b) having regard to the proportion that the actual percentage bears to the proportionate percentage, the difference can reasonably be regarded as insignificant,  
the investing company is treated as meeting the condition in sub-paragraph (2)(b)(i) or (ii) (as the case may be).
- (6) Paragraph 3B (owning ordinary share capital) applies for the purposes of sub-paragraph (1).
- (7) Paragraph 8(2) applies for the purposes of sub-paragraph (2).
- (8) In this paragraph “ordinary shares” means shares in the ordinary share capital of the company invested in.]

#### Textual Amendments

**F13** Sch. 7AC para. 8A inserted (with effect in accordance with s. 28(7) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), s. 28(3)

#### *Aggregation of holdings of group companies*

- 9
- (1) For the purposes of [<sup>F14</sup>paragraphs 7 and 8A(2)] (the substantial shareholding requirement) a company that is a member of a group is treated—
    - (a) as holding any shares or interest in shares held by any other company in the group, and
    - (b) as having the same entitlement as any such company to any rights enjoyed by virtue of holding shares or an interest in shares.
  - (2) Sub-paragraph (1) is subject to paragraph 17(4) (exclusion of aggregation in case of assets of long-term insurance fund of insurance company).

#### Textual Amendments

**F14** Words in Sch. 7AC para. 9(1) substituted (with effect in accordance with s. 28(7) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), s. 28(4)

#### *Effect of earlier no-gain/no-loss transfer*

- 10
- (1) For the purposes of this Part the period for which a company has held shares is treated as extended by any earlier period during which the shares concerned, or shares from which they are derived, were held—
    - (a) by a company from which the shares concerned were transferred to the first-mentioned company on a no-gain/ no-loss transfer, or
    - (b) by a company from which the shares concerned, or shares from which they are derived, were transferred on a previous no-gain/no-loss transfer—
      - (i) to a company within paragraph (a), or
      - (ii) to another company within this paragraph.
  - (2) For the purposes of sub-paragraph (1)—
    - (a) a “no-gain/no-loss transfer” means a disposal and corresponding acquisition that by virtue of any enactment relating to chargeable gains are deemed to

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- be for a consideration such that no gain or loss accrues to the person making the disposal;
- (b) a transfer shall be treated as if it had been a no-gain/no-loss transfer if it is a transfer to which subsection (1) of section 171 (transfers within a group) would apply but for <sup>F15</sup>subsection (1A) or] subsection (3) of that section.
- (3) Where sub-paragraph (1) applies to extend the period for which a company (“company A”) is treated as having held any shares, that company shall be treated for the purposes of this Part as having had at any time the same entitlement—
- (a) to shares, and
- (b) to any rights enjoyed by virtue of holding shares,
- as the company (“company B”) that at that time held the shares concerned or, as the case may be, the shares from which they are derived.
- (4) The shares and rights to be so attributed to company A include any holding or entitlement attributed at that time to company B under paragraph 9 (aggregation of holdings of group companies).
- (5) In this paragraph, except in paragraphs (a) to (c) of sub-paragraph (6), “shares” includes an interest in shares.
- (6) For the purposes of this paragraph shares are “derived” from other shares only where—
- (a) a company becomes a co-owner of shares previously owned by it alone, or vice versa,
- (b) a company’s interest in shares as co-owner changes (without the company ceasing to be a co-owner),
- (c) one holding of shares is treated by virtue of section 127 as the same asset as another, or
- (d) there is a sequence of two or more of the occurrences mentioned in paragraphs (a) to (c).

The reference in paragraph (c) to section 127 includes a reference to that provision as applied by any enactment relating to corporation tax.

#### **Textual Amendments**

**F15** Words in [Sch. 7AC para. 10\(2\)\(b\)](#) inserted (with effect in accordance with s. 27(6) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 27\(4\)](#)

#### *Effect of deemed disposal and reacquisition*

- 11 (1) For the purposes of this Part a company is not regarded as having held shares throughout a period if, at any time during that period, there is a deemed disposal and reacquisition of—
- (a) the shares concerned, or
- (b) shares, or an interest in shares, from which those shares are derived.
- (2) For the purposes of this Part a company is not regarded as having held an interest in shares throughout a period if, at any time during that period, there is a deemed disposal and reacquisition of—
- (a) the interest concerned, or

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

(b) shares, or an interest in shares, from which that interest is derived.

(3) In this paragraph—

“deemed disposal and reacquisition” means a disposal and immediate reacquisition treated as taking place under any enactment relating to corporation tax;

“derived” has the same meaning as in paragraph 10.

#### *Effect of repurchase agreement*

[<sup>F16</sup>12 (1) This paragraph applies where—

(a) a company (“the borrower”) which holds shares in another company sells the shares under an arrangement by reference to which the borrower has a debtor repo, and

(b) by virtue of paragraph 6 of Schedule 13 to the Finance Act 2007 (sale and repurchase of securities) the sale is ignored for the purposes of corporation tax in respect of chargeable gains.

(2) For the period for which the arrangement is in force—

(a) the borrower shall be treated for the purposes of this Part as continuing to hold the shares and accordingly as retaining its entitlement to any rights attaching to them, and

(b) the lender shall be treated for those purposes as not holding the shares and as not becoming entitled to any such rights.

This is subject to the following qualification.

(3) If at any time before the end of that period the borrower, or another member of the same group as the borrower, becomes the holder—

(a) of any of the shares, or

(b) of any shares directly or indirectly representing any of them,

sub-paragraph (2) does not apply after that time in relation to those shares or, as the case may be, the shares represented by them.

(4) Expressions used in this paragraph and in Schedule 13 to the Finance Act 2007 have the same meaning in this paragraph as in that Schedule.]

#### **Textual Amendments**

**F16** Sch. 7AC para. 12 substituted (with effect in relation to an arrangement that comes into force on or after 1.10.2007) by [Finance Act 2007 \(c. 11\), s. 47\(4\)](#), [Sch. 14 para. 13](#); [S.I. 2007/2483, art. 3](#)

#### *Effect of stock lending arrangements*

13 (1) This paragraph applies where—

(a) a company that holds shares in another company transfers the shares under a stock lending arrangement, and

(b) by virtue of section 263B(2) (stock lending arrangements) the disposal is disregarded for the purposes of the enactments relating to chargeable gains.

(2) During the period of the stock lending arrangement—

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (a) the lender shall be treated for the purposes of this Part as continuing to hold the shares transferred and accordingly as retaining his entitlement to any rights attached to them, and
- (b) the borrower shall be treated for those purposes as not holding the shares transferred and as not becoming entitled to any such rights.

This is subject to the following qualification.

- (3) If at any time before the end of the period of the stock lending arrangement the lender, or another member of the same group as the lender, becomes the holder—
  - (a) of any of the shares transferred, or
  - (b) of any shares directly or indirectly representing any of the shares transferred, sub-paragraph (2) does not apply after that time in relation to those shares or, as the case may be, in relation to the shares represented by those shares.
- (4) In this paragraph a “stock lending arrangement” means arrangements between two persons (“the borrower” and “the lender”) under which—
  - (a) the lender transfers shares to the borrower otherwise than by way of sale, and
  - (b) a requirement is imposed on the borrower to transfer those shares back to the lender otherwise than by way of sale.
- (5) Any reference in this paragraph to the period of a stock lending arrangement is to the period beginning with the transfer of the shares by the lender to the borrower and ending—
  - (a) with the transfer of the shares back to the lender in pursuance of the arrangement, or
  - (b) when it becomes apparent that the requirement for the borrower to make a transfer back to the lender will not be complied with.
- (6) The following provisions apply for the purposes of this paragraph as they apply for the purposes of section 263B—
  - (a) subsections (5) and (6) of that section (references to transfer back of securities to include transfer of other securities of the same description);
  - (b) section 263C (references to transfer back of securities to include payment in respect of redemption).

*Effect in relation to company invested in of earlier company reconstruction etc*

- 14 (1) This paragraph applies where shares in one company (“company X”)—
  - (a) are exchanged (or deemed to be exchanged) for shares in another company (“company Y”), or
  - (b) are deemed to be exchanged by virtue of section 136 for shares in company X and shares in another company (“company Y”),
 in circumstances such that, under section 127 as that section applies by virtue of section 135 or 136, the original shares and the new holding are treated as the same asset.
- (2) Where company Y—
  - (a) is the company invested in, and is accordingly the company by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) falls to be met, or

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

- (b) is a company by reference to which, by virtue of this paragraph, that requirement may be met, or
  - (c) is a company by reference to which, by virtue of paragraph 15 (effect of earlier demerger) that requirement may be met,
- that requirement may instead be met, in relation to times before the exchange (or deemed exchange), by reference to company X.
- (3) If in any case that requirement can be met by virtue of this paragraph (or by virtue of this paragraph together with paragraph 15), it shall be treated as met.
  - (4) In sub-paragraph (1) “original shares” and “new holding” shall be construed in accordance with sections 126, 127, 135 and 136.

*Effect in relation to company invested in of earlier demerger*

- 15 (1) This paragraph applies where shares in one company (“the subsidiary”) are transferred by another company (“the parent company”) on a demerger.
- (2) Where the subsidiary—
- (a) is the company invested in, and is accordingly the company by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) falls to be met, or
  - (b) is a company by reference to which, by virtue of this paragraph, that requirement may be met, or
  - (c) is a company by reference to which, by virtue of paragraph 14 (effect of earlier company reconstruction etc), that requirement may be met,
- that requirement may instead be met, in relation to times before the transfer, by reference to the parent company.
- (3) If in any case that requirement can be met by virtue of this paragraph (or by virtue of this paragraph together with paragraph 14), it shall be treated as met.
  - (4) In this paragraph a “transfer of shares on a demerger” means a transfer such that, by virtue of section 192(2)(b), sections 126 to 130 apply as if the parent company and the subsidiary were the same company and the transfer were a reorganisation of that company’s share capital not involving a disposal or acquisition.

*[<sup>F17</sup>Effect of transfer of trading assets within a group*

**Textual Amendments**

**F17** Sch. 7AC para. 15A and cross-heading inserted (with effect in accordance with Sch. 10 para. 9 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 10 para. 6\(2\)](#)

- 15A (1) For the purposes of this Part, the period for which the investing company is treated as holding a substantial shareholding in the company invested in is extended in accordance with sub-paragraph (3) if the following conditions are met.
- (2) The conditions are—
- (a) that, immediately before the disposal, the investing company holds a substantial shareholding in the company invested in,

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (b) that an asset which, at the time of the disposal, is being used for the purposes of a trade carried on by the company invested in was transferred to it by the investing company or another company,
- (c) that, at the time of the transfer of the asset, the company invested in, the investing company and, if different, the company which transferred the asset were all members of the same group, and
- (d) that the asset was previously used by a member of the group (other than the company invested in) for the purposes of a trade carried on by that member at a time when it was such a member.

[ For the purposes of sub-paragraph (2)(b) and (d), “trade” includes oil and gas <sup>F18</sup>(2A) exploration and appraisal.]

- (3) The investing company is to be treated as having held the substantial shareholding at any time during the final 12 month period when the asset was used as mentioned in sub-paragraph (2)(d) (if it did not hold a substantial shareholding at that time).
- (4) “The final 12 month period” means the period of 12 months ending with the time of the disposal.]

#### Textual Amendments

**F18** Sch. 7AC para. 15A(2A) inserted (with effect in accordance with s. 72(2) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 72\(1\)](#)

#### *Effect of investing company's liquidation*

- 16 Where assets of the investing company, or of a company that is a member of the same group as the investing company, are vested in a liquidator under section 145 of the Insolvency Act 1986 or Article 123 of the Insolvency (Northern Ireland) Order 1989 or otherwise, this Part applies as if the assets were vested in, and the acts of the liquidator in relation to the assets were the acts of, the company (acquisitions from or disposals to him by the company being disregarded accordingly).

#### *Special rules for assets of <sup>F19</sup>insurance company held for the purposes of its long-term business]*

#### Textual Amendments

**F19** Words in Sch. 7AC para. 17 cross-heading substituted (17.7.2012) by [Finance Act 2012 \(c. 14\), Sch. 16 para. 88\(8\)](#)

- 17 (1) In the following two cases paragraph 8(1) (meaning of substantial shareholding) has effect as if, in paragraphs (a), (b) and (c), “30%” were substituted for “10%”.
- (2) The first case is where the investing company is an insurance company and the disposal is of an asset [<sup>F20</sup>held by it for the purposes of its long-term business].
- (3) The second case is where—
- (a) the investing company is a 51% subsidiary of an insurance company, and

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (b) the insurance company holds as an asset [<sup>F21</sup>for the purposes of its long-term business] shares or an interest in shares—
- (i) in the investing company, or
  - (ii) in another company through which it owns shares in the investing company.

The reference in paragraph (b)(ii) to owning shares through another company has the same meaning as in [<sup>F22</sup>Chapter 3 of Part 24 of CTA 2010] (subsidiaries).

- (4) Where the investing company is a member of a group that includes an insurance company, paragraph 9 (aggregation of holdings of group companies) does not apply in relation to shares or an interest in shares held by the insurance company [<sup>F23</sup>for the purposes of its long-term business].

[ The reference in sub-paragraph (2) to an asset [<sup>F25</sup>held by the investing company <sup>F24</sup>(4A) for the purposes of its long-term business], and the references in sub-paragraphs (3) and (4) to shares or an interest in shares held [<sup>F26</sup>for the purposes of its long-term business], do not include [<sup>F27</sup>an asset or assets which formed part of the long-term business fixed capital of the company in question].]

<sup>F28</sup>(5) . . . . .

#### Textual Amendments

- F20** Words in Sch. 7AC para. 17(2) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 88\(4\)](#)
- F21** Words in Sch. 7AC para. 17(3)(b) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 88\(5\)](#)
- F22** Words in Sch. 7AC 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. 269\(4\)](#) (with Sch. 2)
- F23** Words in Sch. 7AC para. 17(4) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 88\(6\)](#)
- F24** Sch. 7AC para. 17(4A) inserted (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 2\(5\)](#)
- F25** Words in Sch. 7AC para. 17(4A) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 88\(7\)\(a\)](#)
- F26** Words in Sch. 7AC para. 17(4A) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 88\(7\)\(b\)](#)
- F27** Words in Sch. 7AC para. 17(4A) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 88\(7\)\(c\)](#)
- F28** Sch. 7AC para. 17(5) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 14\(5\)\(b\)](#), [Sch. 27 Pt. 2\(10\)](#)

#### Modifications etc. (not altering text)

- C2** Sch. 7AC para. 17 modified by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 1997 \(S.I. 1997/473\)](#), [reg. 50A](#) (as inserted (30.1.2003) by [S.I. 2003/23](#), [regs. 1\(1\), 9](#))



*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

### PART 3

#### REQUIREMENTS TO BE MET IN RELATION TO <sup>F29</sup>... COMPANY INVESTED IN

##### Textual Amendments

**F29** Words in [Sch. 7AC Pt. 3](#) heading omitted (with effect in accordance with s. 27(6) of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\), s. 27\(2\)\(c\)](#)

<sup>F30</sup>18

##### Textual Amendments

**F30** Sch. 7AC para. 18 and preceding cross-heading omitted (with effect in accordance with s. 27(6) of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\), s. 27\(2\)\(d\)](#)

#### *Requirements relating to the company invested in*

- 19 (1) The company invested in must—
- (a) have been a qualifying company throughout the period—
    - (i) beginning with the start of the latest twelve-month period by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) is met, and
    - (ii) ending with the time of the disposal, and
  - (b) [<sup>F31</sup>in a case where sub-paragraph 1A) applies,] be a qualifying company immediately after the time of the disposal.
- [ This sub-paragraph applies where—
- <sup>F32</sup>(1A) (a) the disposal is a disposal to a person connected with the investing company, or
- (b) the requirement in paragraph 7 is met by virtue of paragraph 15A.]
- (2) For this purpose a “qualifying company” means a trading company or the holding company of a trading group or a trading subgroup.
- [ If the conditions in paragraph 15A(2)(b) to (d) are met, sub-paragraph (2B) applies
- <sup>F33</sup>(2A) for the purpose of determining whether the requirement of sub-paragraph (1)(a) is satisfied.
- (2B) The company invested in is to be treated as having been a trading company at any time during the final 12 month period when the asset was used as mentioned in paragraph 15A(2)(d) (if it was not a trading company at that time).
- (2C) “The final 12 month period” has the meaning given in paragraph 15A(4).]
- (3) If the disposal is by virtue of section 28(1) or (2) (asset disposed of under contract) treated as made at a time before the asset is conveyed or transferred, the requirements in sub-paragraph (1)(a) and (b) must also be complied with as they would have effect if the references there to the time of the disposal were to the time of the conveyance or transfer.



*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

[ Section 1122 of CTA 2010 (meaning of “connected” persons) applies for the <sup>F34</sup>(4) purposes of sub-paragraph (1A)(a).]

#### Textual Amendments

- F31** Words in Sch. 7AC para. 19(1)(b) inserted (with effect in accordance with s. 27(6) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), s. 27(5)(a)
- F32** Sch. 7AC para. 19(1A) inserted (with effect in accordance with s. 27(6) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), s. 27(5)(b)
- F33** Sch. 7AC para. 19(2A)-(2C) inserted (with effect in accordance with Sch. 10 para. 9 of the amending Act) by Finance Act 2011 (c. 11), Sch. 10 para. 6(3)
- F34** Sch. 7AC para. 19(4) inserted (with effect in accordance with s. 27(6) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), s. 27(5)(c)

#### Meaning of “trading company”

- 20 (1) In this Schedule “trading company” means a company carrying on trading activities whose activities do not include to a substantial extent activities other than trading activities.
- (2) For the purposes of sub-paragraph (1) “trading activities” means activities carried on by the company—
- (a) in the course of, or for the purposes of, a trade being carried on by it,
  - (b) for the purposes of a trade that it is preparing to carry on,
  - (c) with a view to its acquiring or starting to carry on a trade, or
  - (d) with a view to its acquiring a significant interest in the share capital of another company that—
    - (i) is a trading company or the holding company of a trading group or trading subgroup, and
    - (ii) if the acquiring company is a member of a group, is not a member of that group.
- (3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the company starts to carry on the trade, as soon as is reasonably practicable in the circumstances.
- (4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—
- (a) such as would make that company a 51% subsidiary of the acquiring company, or
  - (b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the two companies members of the same group.

#### Meaning of “trading group”

- 21 (1) In this Schedule “trading group” means a group—
- (a) one or more of whose members carry on trading activities, and

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (b) the activities of whose members, taken together, do not include to a substantial extent activities other than trading activities.
- (2) For the purposes of sub-paragraph (1) “trading activities” means activities carried on by a member of the group—
  - (a) in the course of, or for the purposes of, a trade being carried on by any member of the group,
  - (b) for the purposes of a trade that any member of the group is preparing to carry on,
  - (c) with a view to any member of the group acquiring or starting to carry on a trade, or
  - (d) with a view to any member of the group acquiring a significant interest in the share capital of another company that—
    - (i) is a trading company or the holding company of a trading group or trading subgroup, and
    - (ii) is not a member of the same group as the acquiring company.
- (3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the group member in question starts to carry on the trade, as soon as is reasonably practicable in the circumstances.
- (4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—
  - (a) such as would make that company a member of the same group as the acquiring company, or
  - (b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the joint venture company a member of the same group as the acquiring company.
- (5) For the purposes of this paragraph the activities of the members of the group shall be treated as one business (with the result that activities are disregarded to the extent that they are intra-group activities).

*Meaning of “trading subgroup”*

- 22 (1) In this Schedule “trading subgroup” means a subgroup—
  - (a) one or more of whose members carry on trading activities, and
  - (b) the activities of whose members, taken together, do not include to a substantial extent activities other than trading activities.
- (2) For the purposes of sub-paragraph (1) “trading activities” means activities carried on by a member of the subgroup—
  - (a) in the course of, or for the purposes of, a trade being carried on by any member of the subgroup,
  - (b) for the purposes of a trade that any member of the subgroup is preparing to carry on,
  - (c) with a view to any member of the subgroup acquiring or starting to carry on a trade, or
  - (d) with a view to any member of the subgroup acquiring a significant interest in the share capital of another company that—

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

- (i) is a trading company or the holding company of a trading group or trading subgroup, and
  - (ii) is not a member of the same group as the acquiring company.
- (3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the subgroup member in question starts to carry on the trade, as soon as is reasonably practicable in the circumstances.
- (4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—
  - (a) such as would make that company a member of the same subgroup as the acquiring company, or
  - (b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the two companies members of the same group.
- (5) For the purposes of this paragraph the activities of the members of the subgroup shall be treated as one business (with the result that activities are disregarded to the extent that they are intra-subgroup activities).

*Treatment of holdings in joint venture companies*

- 23 (1) This paragraph applies where a company (“the company”) has a qualifying shareholding in a joint venture company.
- (2) In determining whether the company is a trading company—
  - (a) its holding of shares in the joint venture company shall be disregarded, and
  - (b) it shall be treated as carrying on an appropriate proportion—
    - (i) of the activities of the joint venture company, or
    - (ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the company is a member of a group and the joint venture company is a member of the same group.

(3) In determining whether the company is <sup>F35</sup>... the holding company of a trading group—
  - (a) every holding of shares in the joint venture company by a member of the group having a qualifying shareholding in that company shall be disregarded, and
  - (b) each member of the group having a qualifying shareholding in the joint venture company shall be treated as carrying on an appropriate proportion—
    - (i) of the activities of the joint venture company, or
    - (ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the joint venture company is a member of the group.

(4) In determining whether the company is the holding company of a trading subgroup—

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (a) every holding of shares in the joint venture company by the company and any of its 51% subsidiaries having a qualifying shareholding in the joint venture company shall be disregarded, and
- (b) the company and each of its 51% subsidiaries having a qualifying shareholding in the joint venture company shall be treated as carrying on an appropriate proportion—
  - (i) of the activities of the joint venture company, or
  - (ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the joint venture company is a member of the same group as the company.

- (5) In sub-paragraphs (2)(b), (3)(b) and (4)(b) “an appropriate proportion” means a proportion corresponding to the percentage of the ordinary share capital of the joint venture company held by the company concerned.
- (6) In this paragraph “shares”, in relation to a joint venture company, includes securities of that company or an interest in shares in or securities of that company.
- (7) For the purposes of this paragraph the activities of a joint venture company that is a holding company and its 51% subsidiaries shall be treated as a single business (so that activities are disregarded to the extent that they are intra-group activities or, as the case may be, intra-subgroup activities).

#### **Textual Amendments**

**F35** Words in [Sch. 7AC para. 23\(3\)](#) omitted (with effect in accordance with s. 27(6) of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\), s. 27\(2\)\(e\)](#)

#### *Meaning of “joint venture company” and “qualifying shareholding”*

- 24 (1) For the purposes of this Schedule a company is a “joint venture company” if, and only if—
- (a) it is a trading company or the holding company of a trading group or trading subgroup, and
  - (b) there are five or fewer persons who between them hold 75% or more of its ordinary share capital.
- In determining whether there are five or fewer such persons as are mentioned in paragraph (b), the members of a group are treated as if they were a single company.
- (2) For the purposes of this Schedule—
- (a) a company that is not a member of a group has a “qualifying shareholding” in a joint venture company if, and only if, it holds shares or an interest in shares in the joint venture company by virtue of which it holds 10% or more of that company’s ordinary share capital;
  - (b) a company that is a member of a group has a “qualifying shareholding” in a joint venture company if, and only if—
    - (i) it holds ordinary share capital of the joint venture company, and

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

- (ii) the members of the group between them hold 10% or more of the ordinary share capital of that company.

*Effect in relation to company invested in of earlier company reconstruction, demerger etc*

- 25 The provisions of—
- (a) paragraph 14 (effect of earlier company reconstruction etc), and
  - (b) paragraph 15 (effect of earlier demerger),
- have effect in relation to the requirements of paragraph 19 (requirements in relation to company invested in) as they have effect in relation to the requirement of paragraph 7 (the substantial shareholding requirement).

## PART 4

### INTERPRETATION

*Meaning of “compan”y, “grou”p and related expressions*

- 26 (1) In this Schedule—
- (a) “company” has the meaning given by section 170(9); and
  - (b) references to a group, or to membership of a group, shall be construed in accordance with the provisions of section 170 read as if “51 per cent” were substituted for “75 per cent”.
- (2) References in this Schedule to a “subgroup” are to companies that would form a group but for the fact that one of them is a 51% subsidiary of another company.
- (3) In this Schedule “holding company”—
- (a) in relation to a group, means the company described in section 170 as the principal company of the group;
  - (b) in relation to a subgroup, means a company that would be the holding company of a group but for being a 51% subsidiary of another company.
- (4) In this Schedule “51% subsidiary” has the meaning given by [F<sup>36</sup>Chapter 3 of Part 24 of CTA 2010].
- In applying [F<sup>37</sup>that Chapter] for the purposes of this Schedule, any share capital of a [F<sup>38</sup>registered society (see section 1119 of that Act)] shall be treated as ordinary share capital.
- (5) References in this Schedule to a “group” or “subsidiary” shall be construed with any necessary modifications where applied to a company incorporated under the law of a country or territory outside the United Kingdom.

#### Textual Amendments

- F36** Words in Sch. 7AC para. 26(4) 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. 269\(5\)\(a\)](#) (with Sch. 2)
- F37** Words in Sch. 7AC para. 26(4) 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. 269\(5\)\(b\)](#) (with Sch. 2)

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

**F38** Words in Sch. 7AC para. 26(4) substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014 \(c. 14\), s. 154, Sch. 4 para. 53](#) (with [Sch. 5](#)) (as amended (1.8.2014) by [Finance Act 2014 \(c. 26\), Sch. 39 paras. 7, 15](#))

*Meaning of “trade”*

- 27 In this Schedule “trade” means anything that—
- (a) is a trade, profession or vocation, within the meaning of the Income Tax Acts, and
  - (b) is conducted on a commercial basis with a view to the realisation of profits.

*Meaning of “twelve-month period”*

- 28 For the purposes of this Schedule a “twelve-month period” means a period ending with the day before the first anniversary of the day with which, or in the course of which, the period began.

*Meaning of “interest in share”s*

- 29 (1) References in this Schedule to an interest in shares are to an interest as a co-owner of shares.
- (2) It does not matter whether the shares are owned jointly or in common, or whether the interests of the co-owners are equal.

*Meaning of “asset related to share”s*

- 30 (1) This paragraph explains what is meant by an asset related to shares in a company.
- (2) An asset is related to shares in a company if it is—
- (a) an option to acquire or dispose of shares or an interest in shares in that company, or
  - (b) a security to which are attached rights by virtue of which the holder is or may become entitled to acquire or dispose of (whether by conversion or exchange or otherwise)—
    - (i) shares or an interest in shares in that company, or
    - (ii) an option to acquire or dispose of shares or an interest in shares in that company, or
    - (iii) another security falling within this paragraph, or
  - (c) an option to acquire or dispose of any security within paragraph (b) or an interest in any such security, or
  - (d) an interest in, or option over, any such option or security as is mentioned in paragraph (a), (b) or (c), or
  - (e) any interest in, or option over, any such interest or option as is mentioned in paragraph (d) or this paragraph.
- (3) In determining whether a security is within sub-paragraph (2)(b), no account shall be taken—
- (a) of any rights attached to the security other than rights relating, directly or indirectly, to shares of the company in question, or

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

- (b) of rights as regards which, at the time the security came into existence, there was no more than a negligible likelihood that they would in due course be exercised to a significant extent.
- (4) The references in this paragraph to an interest in a security or option have a meaning corresponding to that given by paragraph 29 in relation to an interest in shares.

*<sup>F39</sup>Meaning of “qualifying institutional investor”*

**Textual Amendments**

**F39** Sch. 7AC para. 30A and cross-heading inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 28\(5\)](#)

30A (1) In this Schedule “qualifying institutional investor” means a person falling within any of A to G below.

*A Pension schemes*

The trustee or manager of—

- (a) a registered pension scheme, other than an investment-regulated pension scheme, or
- (b) an overseas pension scheme, other than one which would be an investment-regulated pension scheme if it were a registered pension scheme.

“Investment-regulated pension scheme” has the same meaning as in Part 1 of Schedule 29A to the Finance Act 2004.

“Overseas pension scheme” has the same meaning as in Part 4 of that Act.

*B Life assurance businesses*

A company carrying on life assurance business, if immediately before the disposal its interest in the investing company is held as part of its long-term business fixed capital.

“Life assurance business” has the meaning given in section 56 of the Finance Act 2012.

Section 137 of that Act applies for the purposes of determining whether an interest forms part of the long-term business fixed capital of a company.

*C Sovereign wealth funds etc*

A person who cannot be liable for corporation tax or income tax (as relevant) on the ground of sovereign immunity.

*D Charities*

A charity.

*E Investment trusts*

An investment trust.

*F Authorised investment funds*

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

An authorised investment fund which meets the genuine diversity of ownership condition throughout the accounting period of the fund in which the disposal is made.

“Authorised investment fund” has the same meaning as in the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964).

Regulation 9A of the Authorised Investment Funds (Tax) Regulations 2006 (genuine diversity of ownership) applies for this purpose.

**G Exempt unauthorised unit trusts**

The trustees of an exempt unauthorised unit trust, where the trust meets the genuine diversity of ownership condition throughout the accounting period of the trust in which the disposal is made.

Regulation 9A of the Authorised Investment Funds (Tax) Regulations 2006 (genuine diversity of ownership) applies for this purpose (treating references to an authorised investment fund as including an exempt unauthorised unit trust).

- (2) The Treasury may by regulations amend this Schedule so as to add or remove a person as a “qualifying institutional investor” (and may in particular do so by changing the conditions subject to which a person is a qualifying institutional investor).]

*Index of defined expressions*

- 31 In this Schedule the expressions listed below are defined or otherwise explained by the provisions indicated:

asset related to shares	paragraph 30
company	paragraph 26(1)(a)
company invested in	paragraph 1
[ <sup>F40</sup> Exempt unauthorised unit trust	paragraph 3B(7)]
51% subsidiary	paragraph 26(4) and (5)
group (and member of group)	paragraph 26(1)(b) and (5)
holding company	paragraph 26(3)
interest in shares	paragraph 29
investing company	paragraph 1
joint venture company	paragraph 24(1)
[ <sup>F40</sup> Qualifying institutional investor	paragraph 30A]
qualifying shareholding (in joint venture company)	paragraph 24(2)
subgroup	paragraph 26(2)
trade	paragraph 27
trading company	paragraph 20
trading group	paragraph 21



*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)

trading subgroup	paragraph 22
twelve-month period	paragraph 28

**Textual Amendments**

**F40** Words in Sch. 7AC para. 31 inserted (with effect in accordance with s. 28(7) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), s. 28(6)

**PART 5**

CONSEQUENTIAL PROVISIONS

*Meaning of “chargeable share”s or “chargeable asset”*

32 Any exemption conferred by this Schedule shall be disregarded in determining whether shares are “chargeable shares”, or an asset is a “chargeable asset”, for the purposes of any enactment relating to corporation tax or capital gains tax.

*Negligible value claims*

33 (1) This paragraph applies where—  
(a) a company makes a claim under section 24(2) (assets of negligible value) in relation to shares held by it, and  
(b) by virtue of this Schedule any loss accruing to the company on a disposal of the shares at the time of the claim would not be an allowable loss.  
(2) Where this paragraph applies the company may not exercise the option under section 24(2) to specify a time earlier than the time of the claim as the time when the shares are treated as sold and reacquired by virtue of that subsection.  
(3) This paragraph applies to—  
(a) an interest in shares in a company, or  
(b) an asset related to shares in a company,  
as it applies to shares in that company.

*Reorganisations etc: deemed accrual of chargeable gain or allowable loss held over on earlier transaction*

34 (1) The exemptions conferred by this Schedule do not apply to or affect a chargeable gain or allowable loss deemed to accrue on a disposal by virtue of section 116(10) (b) (reorganisations, conversions and reconstructions: deemed accrual of gain or loss held over on earlier transaction).

<sup>F41</sup>(2) .....

[ Sub-paragraph (1) does not apply where the relevant earlier transaction is a disposal <sup>F42</sup>(2) and reacquisition deemed to have occurred (in a period of account beginning before 1 January 2005) under section 92(7) of the Finance Act 1996 (convertible securities etc: creditor relationships).]

*Status: Point in time view as at 06/04/2021.*

**Changes to legislation:** *Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

#### Textual Amendments

- F41** Sch. 7AC para. 34(2) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 386](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))
- F42** Sch. 7AC para. 34(2) inserted (with retrospective effect in accordance with art. 1(2) of the amending S.I.) by [The Corporation Tax Act 2009 \(Amendment\) Order 2010 \(S.I. 2010/614\)](#), [art. 2](#)

#### *Recovery of charge postponed on transfer of assets to non-resident company*

**F43**35 .....

#### Textual Amendments

- F43** Sch. 7AC para. 35 omitted (with effect in accordance with s. 37(3) of the amending Act) by virtue of [Finance Act 2010 \(c. 13\)](#), s. [37\(2\)](#)

#### *Appropriation of asset to trading stock*

- 36 (1) Where—
- (a) an asset acquired by a company otherwise than as trading stock of a trade carried on by it is appropriated by the company for the purposes of the trade as trading stock (whether on the commencement of the trade or otherwise), and
  - (b) if the company had then sold the asset for its market value, a chargeable gain or allowable loss would have accrued to the company but for an exemption conferred by this Schedule,
- the company is treated for the purposes of the enactments relating to chargeable gains as if it had thereby disposed of the asset for its market value.
- (2) Section 173 (transfers within a group: trading stock) applies in relation to this paragraph as it applies in relation to section 161 (appropriations to and from stock).

#### *Recovery of held-over gain on claim for gifts relief*

- 37 (1) This paragraph applies where—
- (a) a company disposes of an asset,
  - (b) the expenditure allowable in computing a gain or loss on that disposal falls to be reduced because of a claim for relief under section 165 (gifts relief) in relation to an earlier disposal, and
  - (c) by virtue of this Schedule any gain accruing to the company on the disposal mentioned in paragraph (a) would not be a chargeable gain.
- (2) Where this paragraph applies the amount of the held-over gain, or an appropriate proportion of it, shall be treated as accruing to the company, at the time of the disposal mentioned in sub-paragraph (1)(a), as a chargeable gain to which this Schedule does not apply.
- (3) An “appropriate proportion” means a proportion determined on a just and reasonable basis having regard to the subject matter of the disposal mentioned in sub-paragraph (1)(a) and the subject matter of the earlier disposal that was the subject of the claim for relief under section 165.

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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)*

(4) In this paragraph “held-over gain” has the same meaning as in section 165.

*Degrouping: time when deemed sale and reacquisition treated as taking place*

- 38 (1) Where—
- (a) a company, as a result of ceasing at any time (“the time of degrouping”) to be a member of a group, is treated by section 179(3) as having sold and immediately reacquired an asset, and
  - (b) if the company owning the asset at the time of degrouping had disposed of it immediately before that time, any gain accruing on the disposal would by virtue of this Schedule not have been a chargeable gain,
- section 179(3) shall have effect as if it provided for the deemed sale and reacquisition to be treated as taking place immediately before the time of degrouping.
- (2) Where—
- (a) a company, as a result of ceasing at any time (“the relevant time”) to satisfy the conditions in section 179(7), is treated by section 179(6) as having sold and immediately reacquired an asset, and
  - (b) if the company owning the asset at the relevant time had disposed of it immediately before that time, any gain accruing on the disposal would by virtue of this Schedule not have been a chargeable gain,
- section 179(6) shall have effect as if it provided for the deemed sale and reacquisition to be treated as taking place immediately before the relevant time.
- (3) Any reference in this paragraph to a disposal or other event taking place immediately before the time of degrouping or the relevant time is to its taking place immediately before that time but on the same day.

*Effect of FOREX matching regulations*

- 39 (1) No gain or loss shall be treated as arising under the FOREX matching regulations on a disposal on which by virtue of this Schedule any gain would not be a chargeable gain.
- (2) The “FOREX matching regulations” means any regulations made under Schedule 15 to the Finance Act 1993 (exchange gains and losses: alternative method of calculation).]

**Status:**

Point in time view as at 06/04/2021.

**Changes to legislation:**

Taxation of Chargeable Gains Act 1992, SCHEDULE 7AC is up to date with all changes known to be in force on or before 12 August 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.