

*Status: Point in time view as at 15/09/2016.*

**Changes to legislation:** Taxation of Chargeable Gains Act 1992, PART 3 is up to date with all changes known to be in force on or before 22 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

### [F1]SCHEDULE 7ZA

#### ENTREPRENEURS' RELIEF: “TRADING COMPANY” AND “TRADING GROUP”

##### Textual Amendments

- F1** Sch. 7ZA inserted (with effect in accordance with Sch. 13 para. 6(1) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 13 para. 5](#)

### PART 3

#### PARTNERSHIPS

##### *Activities of a company as a member of a partnership*

- 13 (1) In relation to a disposal of assets consisting of (or of interests in) shares in or securities of a company (“company A”), activities carried on by a company as a member of a partnership are to be treated as not being trading activities of the company (see section 165A(4) and (9)) if P fails either or both of the following—
- (a) the profits and assets test in relation to the partnership (see paragraphs 15 to 20);
  - (b) the voting rights test in relation to the partnership (see paragraphs 21 to 23).
- (2) In relation to such a disposal, activities carried on by a company as a member of a partnership are also to be treated as not being trading activities of the company if the company is not a member of the partnership throughout the relevant period.

##### *Meaning of “direct interest company” and “relevant corporate partner”*

- 14 (1) This paragraph applies for the purposes of this Part.
- (2) A company is a “direct interest company” in relation to P if—
- (a) it is company A (see paragraph 13(1)), or
  - (b) P directly owns some portion of the ordinary share capital of the company.
- (3) A company is a “relevant corporate partner” in relation to P and a partnership if—
- (a) a direct interest company in relation to P (“company DIC”) owns some portion of the ordinary share capital of the company (whether it is owned directly, indirectly or partly directly and partly indirectly),
  - (b) the company is a member of a group of companies of which company DIC is a member, and
  - (c) the company is a member of the partnership.

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- (4) In sub-paragraph (3) the reference to a company owning share capital indirectly is to be read in accordance with section 1155 of CTA 2010.

*Profits and assets test*

- 15 P passes the profits and assets test in relation to a partnership if, throughout the relevant period, the sum of the percentages given by paragraphs (a), (b) and (c) is at least 5%—
- (a) the percentage which is P's direct interest in the assets of the partnership,
  - (b) the percentage which is P's share of the partnership through direct interest companies that are members of the partnership (see paragraph 16), and
  - (c) the percentage which is P's share of the partnership through direct interest companies and relevant corporate partners in the partnership (see paragraph 18).
- 16 P's "share of the partnership through direct interest companies that are members of the partnership" is found by—
- (a) calculating the percentage which is P's indirect share of the partnership through each direct interest company that is a member of the partnership (see paragraph 17), and
  - (b) where there are two or more direct interest companies that are members of the partnership, adding those percentages together.
- 17 The percentage which is P's indirect share of the partnership through a particular direct interest company that is a member of the partnership ("company DICP") at a particular time is given by—
- 18 P's "share of the partnership through direct interest companies and relevant corporate partners in the partnership" is found by—
- (a) calculating the percentage which is P's indirect share of the partnership through each direct interest company and each relevant corporate partner in the partnership (see paragraph 19), and
  - (b) where there are two or more direct interest companies or two or more relevant corporate partners, or both, adding those percentages together.
- 19 The percentage which is P's indirect share of the partnership through a particular direct interest company ("company DIC") and a particular relevant corporate partner in the partnership ("company CP") at a particular time is given by—
- 20 (1) The fraction of a company's ordinary share capital that is owned indirectly by company DIC is calculated—
- (a) by applying sections 1156 and 1157 of CTA 2010, as read with section 1155 of that Act, and
  - (b) on the assumptions specified in sub-paragraph (2).
- (2) The assumptions are—
- (a) where company DIC directly owns more than 50% of the ordinary share capital of a company, company DIC is taken to own the whole of the ordinary share capital of that company;
  - (b) where a company other than company DIC ("company B") directly owns more than 50% of the ordinary share capital of another company ("company C") which is a member of a group of companies of which company DIC is a

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member, company B is taken to own the whole of the ordinary share capital of company C.

#### *Voting rights test*

- 21 (1) P passes the voting rights test in relation to a partnership if, throughout the relevant period, the sum of P's direct voting rights percentage and P's indirect voting rights percentage is at least 5%.
- (2) P's “direct voting rights percentage” is found by—
- (a) taking the percentage of the voting rights that P holds directly in each direct interest company that is a member of the partnership, and
  - (b) where P directly holds voting rights in two or more direct interest companies that are members of the partnership, adding those percentages together.
- (3) P's “indirect voting rights percentage” is found by—
- (a) calculating the percentage which is P's indirect holding of voting rights in each relevant corporate partner in the partnership through each direct interest company (see paragraph 22), and
  - (b) where there are two or more relevant corporate partners or two or more direct interest companies, or both, adding those percentages together.
- 22 The percentage which is P's indirect holding of voting rights in a particular relevant corporate partner in the partnership (“company CP”) through a particular direct interest company (“company DIC”) at a particular time is given by—
- 23 (1) The fraction of the voting rights in a company that is held indirectly by company DIC is calculated—
- (a) by applying sections 1156 and 1157 of CTA 2010, as read with section 1155 of that Act, as if references in those sections to owning the ordinary share capital of a company were references to holding voting rights in a company, and
  - (b) on the assumptions specified in sub-paragraph (2).
- (2) The assumptions are—
- (a) where company DIC directly holds more than 50% of the voting rights in a company, company DIC is taken to hold all the voting rights in that company;
  - (b) where a company other than company DIC (“company B”) directly holds more than 50% of the voting rights in another company (“company C”) which is a member of a group of companies of which company DIC is a member, company B is taken to hold all the voting rights in company C.]

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