SCHEDULES

SCHEDULE 2 U.K.

Section 14

QUALIFYING ASSET HOLDING COMPANIES

PART 1 U.K.

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,

(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 **[**F1neither 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 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 sub-paragraph (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 sub-paragraph (1)(b), is the greatest of such of those proportions as arise as a result of that interest.

(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

(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

(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—

(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.

(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) **[**F6the 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

(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,

(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.

(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)**

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—

(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,

(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)**

PART 2 U.K.

BECOMING A QAHC

Entry notification

14 (1) This paragraph makes provision about the making of a notification to HMRC by a company that intends to be a QAHC (an "entry notification").

(2) An entry notification must—

(a) state the name and (where it has one) the Unique Taxpayer Reference of the company,

(b) specify the date on which it is intended that the company should become a QAHC, and

(c) include one of the following declarations—

(i) that on that date, the company will meet all of the conditions in paragraph 2(1), or

(ii) that on that date the company will meet all of those conditions except for the ownership condition, but it intends to rely on paragraph 16(4) (ownership condition treated as met for first two years of entry into QAHC regime).

(3) The date specified may be no earlier than the later of—

(a) the day after the day on which the entry notification is made to HMRC, and

(b) 1 April 2022.

(4) Where an entry notification is made by a company that, at the time of making it, is resident in a territory outside the United Kingdom, the notification must also—

(a) state the territory in which the company is currently resident,

(b) state any registration number the company has in that territory,

(c) state the date on which it is intended the company will become UK resident.

(5) Where a company makes the declaration mentioned in sub-paragraph (2)(c)(ii) in an entry notification, the notification must also include a declaration that the company reasonably expects the ownership condition to be met within 2 years of becoming a QAHC.

(6) An entry notification comes into force in relation to the company at the beginning of the date specified in accordance with sub-paragraph (2)(b) and continues in force until an exit notification under paragraph 25 comes into force.

(7) Where a company has ceased to be a QAHC, a new entry notification must be made for it to become a QAHC again, other than as a result of paragraph 27(2) (retrospective curing of non-deliberate breach of the activity condition).

Entry into regime

15 (1) A company becomes a QAHC at the beginning of the first day on which all of the relevant conditions are met.

(2) The "relevant conditions" are—

(a) where the company has made an entry notification that includes the declaration mentioned in paragraph 14(2)(c)(i), the conditions in paragraph 2(1), or

(b) where the company has made an entry notification that includes the declaration mentioned in paragraph 14(2)(c)(ii), all of those conditions apart from the ownership condition.

Ownership condition treated as met for initial period

16 (1) Sub-paragraph (4) applies in relation to a company that has made an entry notification that includes the declaration mentioned in paragraph 14(2)(c)(ii).

(2) Sub-paragraph (4) also applies in relation to a company if—

(a) the company meets the ownership condition on becoming a QAHC,

(b) within the first 2 years of its becoming a QAHC, it ceases to meet that condition, and

(c) as soon as reasonably practicable after ceasing to meet that condition the QAHC has notified HMRC of its intention to rely on that sub-paragraph.

(3) A notification under sub-paragraph (2)(c) must—

(a) include a declaration by the QAHC that it reasonably expects the ownership condition to be met before the end of the period of 2 years beginning with the day on which the QAHC became a QAHC;

(b) set out details of the steps (if any) the QAHC has taken, or expects to take, in order to secure the meeting of the ownership condition before the end of that period.

(4) Where this sub-paragraph applies in relation to a company—

(a) the ownership condition is treated as being met in relation to that company for the period of 2 years, or such longer period as HMRC may in writing agree to, beginning with the day on which the company became a QAHC, and

(b) any breach of that condition that occurred before this sub-paragraph applied is treated has having not occurred.

(5) But if, at any time during that period, it becomes apparent to the QAHC that there is no reasonable expectation of the ownership condition being met by the end of that period—

(a) the QAHC must notify HMRC of that fact as soon as reasonably practicable, and

(b) sub-paragraph (4) ceases to apply from the time when it became so apparent.

Corporation tax consequences of becoming a QAHC

17 (1) For the purposes of corporation tax, when a company becomes a QAHC—

(a) a new accounting period begins at the beginning of the day on which it becomes a QAHC, and

(b) accordingly, its previous accounting period ends at the end of the day before it became a QAHC.

(2) The following are to be treated, for the purposes of corporation tax, as sold by a company immediately before becoming a QAHC and reacquired immediately after so becoming—

(a) any overseas land it holds;

(b) any loan relationship or derivative contract the company is party to for the purposes of an overseas property business of the company, to the extent (apportioned on a just and reasonable basis)—

(i) the relationship or contract is attributable to those purposes, and

(ii) profits arising from that relationship or contract will be exempt from corporation tax as a result of paragraph 52(4);

(c) any qualifying shares (see paragraph 53) it holds.

(3) The sale and reacquisition deemed under sub-paragraph (2) is to be treated as being for a consideration equal to the market value of the assets.

(4) Where—

(a) a company ("C") becomes a QAHC,

(b) C holds a substantial shareholding in another company (see Schedule 7AC to TCGA 1992) as a result of holding qualifying shares,

(c) those shares were subject to a deemed sale and reacquisition under sub-paragraph (2),

(d) at the time of the deemed sale, the shares had been held by C for less than 12 months,

(e) C continues to hold those shares until they have been held for a period of 12 months (whether or not C remains a QAHC at the end of that period), and

(f) if C were to dispose of them immediately after the end of that period, any gain on that disposal would not be a chargeable gain as a result of an exemption under Part 1 of Schedule 7AC to TCGA 1992 (exemptions for disposals by companies with substantial shareholding),

any gain accruing to C on the deemed sale of the shares is not a chargeable gain.

(5) But for the purposes of sub-paragraph (4)(f), Schedule 7AC to TCGA 1992 has effect as if—

(a) paragraph 9 of that Schedule (aggregation of holdings of group companies) were omitted, and

(b) in paragraph 19(1), the references to the time of the disposal were instead to the end of the 12 month period referred to in sub-paragraph (4)(e).

(6) Paragraph 11 of Schedule 7AC to TCGA 1992 (effect of deemed disposal and reacquisition) has effect as if any reference to a "deemed disposal and reacquisition" did not include a deemed sale and reacquisition under sub-paragraph (2) of this paragraph.

Application of paragraph 17(2) to formerly non-resident companies

18 Paragraph 17(2) does not apply to assets held by a company that was previously resident in a territory outside the United Kingdom and became UK resident within the 30 days before it became a QAHC if those assets were held immediately before it became UK resident.

Adjustment of gains to avoid double charge

19 Where—

(a) a chargeable gain (the "relevant gain") accrues to a company on a deemed sale of qualifying shares as a result of paragraph 17(2), and

(b) the value of those shares reflects the value of an asset in respect of which a chargeable gain ("the underlying gain") accrues, or would accrue if paragraph 18 were ignored, to another company as a result of paragraph 17(2) on the same day as, or before, the relevant gain accrued,

the relevant gain is to be reduced (on a just and reasonable basis and not to below nil) by an amount reflecting the amount of the underlying gain.

Ring fencing of QAHC business

20 (1) For the purposes of this Schedule "QAHC ring fence business" in relation to a QAHC means the business of carrying out its main activity (see paragraph 13(1)(a)) in relation to—

(a) overseas land, to the extent income generated from that land is exempt from corporation tax as a result of paragraph 52(1) (exemption for overseas property income of a QAHC);

(b) qualifying shares (see paragraph 53);

(c) any creditor relationship of the QAHC to the extent the QAHC is not party to it for the purposes of a trade or a UK property business;

(d) any derivative contract to the extent that the underlying subject matter of the contract is overseas land falling within paragraph (a), qualifying shares or debt;

(e) any derivative contract to the extent that the QAHC is party to it for the purposes of carrying out its main activity in relation to any of the things mentioned in paragraphs (a) to (d).

(2) A QAHC ring fence business of a QAHC is to be treated for corporation tax purposes as separate and distinct from—

(a) all other activities carried on by the QAHC,

(b) any activity carried on by the QAHC before it became a QAHC, and

(c) any activity carried on by the company after it has ceased to be a QAHC.

(3) For the purposes of calculating the amount of corporation tax payable by a QAHC, the QAHC's ring fence business is to be treated as a separate company distinct from the QAHC carrying on any other activity (including any activity carried on before or after it is a QAHC).

(4) Accordingly—

(a) no loss of a QAHC arising outside its QAHC ring fence business may be set off against profits of that business (including any loss made by a company before it became a QAHC), and

(b) no loss arising within a QAHC ring fence business may be set off against profits of any other activity carried on by the QAHC (including any activity carried on by it before it became, or after it has ceased to be, a QAHC).

(5) But despite sub-paragraph (3) a QAHC is to provide a single company tax return relating to its QAHC ring fence business and any other activities carried on while it is a QAHC.

(6) Where any asset, receipt (including any credit), loss or gain relates to both the QAHC ring fence business and to the other activities of the QAHC (whether they are carried on while it is a QAHC or not) that asset, receipt, loss or gain is to be apportioned (on a just and reasonable basis) between the QAHC ring fence business and the other activities of the QAHC.

(7) In sub-paragraphs (4) and (6) references to a loss include references to a deficit, expense, charge or allowance.

(8) Losses or other amounts surrendered under Part 5 or 5A of CTA 10 (group relief)—

(a) that arise within the QAHC ring fence business of a QAHC may only be set off against profits of another company if that company is a QAHC and those profits arose within the QAHC ring fence business of that company;

(b) that do not arise within a QAHC ring fence business of the company surrendering them may not be set off against profits of a QAHC that arise within its QAHC ring fence business.

(9) Where a company and a QAHC have, in accordance with section 171A(4) of TCGA 1992, elected to transfer a chargeable gain or an allowable loss to the QAHC, that gain or loss arises outside its QAHC ring fence business.

(10) A distribution received by a QAHC that, as a result of Chapter 6 of Part 12 of CTA 2010 (Real Estate Investment Trusts), is treated as profits of a UK property business is received outside its QAHC ring fence business.

(11) In this paragraph "creditor relationship" has the meaning it has in Part 5 of CTA 2009 (see section 302 of that Act).

Disapplication of Part 7ZA of CTA 2010

21 In determining the profits of a QAHC ring fence business, Part 7ZA of CTA 2010 (restrictions on obtaining certain deductions) is to be ignored.

Assets entering and leaving the ring fence

22 (1) Sub-paragraph (2) applies to an asset held by a QAHC outside its QAHC ring fence business if that asset enters that ring fence business (whether because of a change of use or status of the asset or otherwise) and the asset is one of the following—

(a) overseas land;

(b) a loan relationship or derivative contract the QAHC is party to for the purposes of an overseas property business of the QAHC, to the extent (apportioned on a just and reasonable basis)—

(i) the relationship or contract is attributable to those purposes (including any such relationship or contract that the QAHC was not party to for those purposes before it entered the ring fence business), and

(ii) profits arising from that relationship or contract are exempt from corporation tax as a result of paragraph 52(4);

(c) qualifying shares (including anything that was not a "qualifying share" before it entered the ring fence business).

(2) Where this sub-paragraph applies to an asset, that asset is treated, for the purposes of corporation tax, as sold by the QAHC immediately before it entered the QAHC ring fence business and reacquired immediately after it entered that ring fence business.

(3) Any chargeable gain or allowable loss accruing to a QAHC on a deemed sale under paragraph (2) arises outside its QAHC ring fence business.

(4) Sub-paragraph (5) applies to an asset held by a QAHC within its QAHC ring fence business if that asset leaves that ring fence business (whether because of a change of use or status of the asset or otherwise) and the asset is one of the following—

(a) overseas land;

(b) a loan relationship or derivative contract that, when it was held within the ring fence business, the QAHC was party to for the purposes of an overseas property business of the QAHC, to the extent (apportioned on a just and reasonable basis)—

(i) the relationship or contract was attributable to those purposes, and

(ii) profits arising from that relationship or contract are exempt from corporation tax as a result of paragraph 52(4);

(c) anything that was a "qualifying share" (see paragraph 53) when it was held within the ring fence business.

(5) Where this sub-paragraph applies to an asset, that asset is treated, for the purposes of corporation tax, as sold by the QAHC immediately before it left the QAHC ring fence business and reacquired immediately after it left that ring fence business.

(6) Any chargeable gain or allowable loss accruing to a QAHC on a deemed sale under paragraph (5) arises within its QAHC ring fence business.

(7) A sale and reacquisition deemed under sub-paragraph (2) or (5) is to be treated as being for a consideration equal to the market value of the assets.

(8) Paragraph 11 of Schedule 7AC to TCGA 1992 has effect as if any reference to a "deemed disposal and reacquisition" did not include a deemed sale and reacquisition under sub-paragraph (2) or (5) of this paragraph.

Adjustment of gains to avoid double charge on assets crossing the ringfence

23 Where—

(a) a chargeable gain (the "relevant gain") accrues to a QAHC under paragraph 22(2) on a deemed sale of shares,

(b) the extent of that gain reflects the proceeds of a disposal of another asset in respect of which a chargeable gain ("the taxed gain") has accrued to any person,

the relevant gain is to be reduced (on a just and reasonable basis and not to below nil) by an amount reflecting the amount of the taxed gain.

Information to be provided for accounting periods

24 (1) A company that is, or has been, a QAHC must send a return to HMRC in relation to each accounting period for which it is a QAHC containing the following information (whether or not that information is included in its company tax return)—

(a) the name and Unique Taxpayer Reference of the QAHC,

(b) the name, Unique Taxpayer Reference (if any) and address of any person who has provided investment management services to the QAHC during the course of that accounting period,

(c) an estimate of the market value of the assets of the QAHC's ring fence business as at the end of that accounting period, and

(d) statements of—

(i) the gross proceeds arising from disposals of assets from the ring fence business during the accounting period, and

(ii) the amounts of any payments made by the QAHC on the redemption, repayment or purchase of its own shares.

(2) Where investment management services are provided to the QAHC by a partnership, the reference in sub-paragraph (1)(b) to a person providing investment management services is to the partnership and not to any partner who may be providing those services in the course of the partnership's business.

(3) The Treasury may by regulations amend sub-paragraph (1) so as to add to, vary or omit items in the list of information to be contained in a return under this paragraph.

(4) A return under this paragraph must be provided before the end of the filing date for the company tax return for the accounting period to which the return relates.

(5) Where a QAHC fails to provide a return under this paragraph by that time, the QAHC is liable to a penalty of £300.

(6) Paragraphs 18 to 23 of Schedule 55 to FA 2009 (penalty for failure to make returns etc) apply to a penalty under sub-paragraph (5) as they apply to a penalty under a paragraph of that Schedule as if—

(a) in paragraph 18, sub-paragraphs (4) to (7) were omitted,

(b) in paragraph 19—

(i) in sub-paragraph (1), for "on or before the later of date A and (where it applies) date B" there were substituted "before the end of the period of 6 years beginning with the date on which the QAHC became liable to the penalty", and

(ii) sub-paragraphs (2) to (5) were omitted,

(c) in paragraph 20, sub-paragraph (2) were omitted,

(d) in paragraph 22, sub-paragraphs (2) to (4) were omitted, and

(e) in paragraph 23(1), paragraph (b) were omitted.

PART 3 U.K.

CEASING TO BE A QAHC

Exit notification

25 (1) If a QAHC decides that an entry notification is to cease to be in force in relation to it, it may make a notification to HMRC (an "exit notification").

(2) An exit notification must—

(a) state the name and Unique Taxpayer Reference of the QAHC;

(b) specify the date on which the entry notification no longer has effect.

(3) The date specified may be no earlier than the day after the day on which the exit notification is made.

(4) An exit notification comes into force on that specified date.

Requirement to notify when conditions no longer met

26 (1) A QAHC must notify HMRC if a relevant condition ceases to be met in relation to it as soon as reasonably practicable after becoming aware of the breach of the condition.

(2) In sub-paragraph (1) "relevant condition" means any of the conditions in paragraph 2(1), other than the condition in paragraph 2(1)(g) (requirement for entry notification to be in force).

(3) A notification under sub-paragraph (1) must set out—

(a) a description of the breach,

(b) the date on which it occurred,

(c) the date on which the QAHC first became aware of it, and

(d) where the breach is a breach of the ownership condition to which a cure period could apply (see paragraph 27(3))—

(i) whether the QAHC intends to rely on that period, and

(ii) if so, what steps (if any) the QAHC has taken, or expects to take, in order to secure the meeting of the ownership condition before the end of that period.

Curing of certain breaches

27 (1) Sub-paragraph (2) applies to a breach by a QAHC of the activity condition (see paragraph 13(1)) if—

(a) the breach is not deliberate,

(b) the QAHC has given HMRC a notification in relation to the breach in accordance with paragraph 26, and

(c) the QAHC has secured that the breach has ceased as soon as reasonably practicable.

(2) Where this sub-paragraph applies to a breach of the activity condition, the breach is treated, for the purposes of this Part of this Schedule, as if it had not occurred.

(3) A cure period applies to a breach of the ownership condition (see paragraph 3) in relation to a QAHC if—

(a) the sum of relevant interests in the QAHC or in an enhanced class of the QAHC held by persons who are not category A investors does not exceed 50% (whether as a result of the breach or at any time afterwards),

(b) the breach is not deliberate,

(c) the QAHC has complied with paragraph 12 (requirement to take reasonable steps to monitor compliance), and

(d) the QAHC has given HMRC a notification in relation to the breach in accordance with paragraph 26 that states the QAHC intends to rely on the cure period.

(4) Where—

(a) a cure period applies to a breach of the ownership condition, and

(b) before the end of the cure period, the QAHC meets that condition,

the breach is treated, for the purposes of this Part of this Schedule, as if had not occurred.

(5) The "cure period" in relation to a breach of the ownership condition is—

(a) the period of 90 days beginning with the day on which the QAHC became aware of the breach, or

(b) such longer period beginning with that day as HMRC may in writing agree.

(6) A breach of a condition is deliberate if—

(a) it occurred as a result of anything done by any of the persons mentioned in sub-paragraph (7),

(b) that person knew that one of the consequences of doing that thing would be a breach of that condition, and

(c) it would have been reasonable for the person to avoid doing that thing.

(7) Those persons are—

(a) the QAHC;

(b) a director, or any other person involved in the management, of the QAHC;

(c) a person with relevant interests in the QAHC, or in an enhanced class of the QAHC, of 25% or more;

(d) a director, or any other person involved in the management, of a person referred to in paragraph (c).

Wind-down period

28 (1) A wind-down period applies to a breach of the ownership condition in relation to a QAHC where—

(a) the breach is a result of—

(i) a qualifying fund with a relevant interest in the QAHC, or in an enhanced class of the QAHC, ceasing to be a category A investor, or

(ii) the purchase or redemption by the QAHC of a relevant interest in the QAHC, or a relevant interest in an enhanced class of the QAHC,

(b) at the time the QAHC becomes aware of the breach it intends to cease its QAHC ring fence business as soon as reasonably practicable, and

(c) the QAHC has notified HMRC of that intention as soon as reasonably practicable after it becomes aware of the breach.

(2) A notification under sub-paragraph (1)(c) must—

(a) state the date on which the ownership condition was breached,

(b) state the date on which the QAHC first became aware of the breach,

(c) include a declaration by the QAHC that it reasonably expects to have sold all of its assets in the QAHC ring fence business within two years of the QAHC becoming aware of the breach.

(3) The "wind-down period" in relation to a breach of the ownership condition is—

(a) the period of 2 years beginning with the day on which the QAHC became aware of the breach, or

(b) such longer period beginning with that day as HMRC may in writing agree.

(4) But a wind-down period ceases to apply to a breach of the ownership condition immediately on the acquisition of any assets, or the raising of any capital (whether by the issuing of securities or otherwise), by a QAHC during that period.

(5) Sub-paragraph (4) does not apply to—

(a) the acquisition of assets where those assets are reasonably required in connection with the ceasing of the QAHC's ring fence business, or

(b) the acquisition of assets, or the raising of capital, if that acquisition or raising of capital is reasonably necessary to prevent the insolvency of the QAHC or a person in which the QAHC has an interest.

(6) A QAHC must notify HMRC of any acquisition of assets, or raising of capital during a wind-down period (whether capable of causing the wind-down period to cease or not).

Exiting the regime

29 (1) A QAHC ceases to be a QAHC as a result of ceasing to meet any of the conditions mentioned in paragraph 2.

(2) The general rule is that a breach of a condition will cause a QAHC to cease to be a QAHC immediately after the condition ceases to be met.

But sub-paragraphs (3) to (7) contain different rules in relation to certain types of breach.

(3) A breach of the activity condition causes a QAHC to cease to be a QAHC immediately after the time at which the QAHC becomes aware of the breach (but see paragraph 27(1) and (2) which may allow a breach to be retrospectively cured).

(4) A breach of the ownership condition to which a cure period applies will cause a QAHC to cease to be a QAHC at the end of the last day of that period (if the breach was not cured during the period).

(5) But where a breach of the ownership condition was subject to a cure period and the cure period ceases to apply as a result of paragraph (a) of paragraph 27(3) (sum of relevant interests held by persons other than category A investors exceeds 50%) no longer being satisfied, the QAHC ceases to be a QAHC immediately after the time at which that paragraph ceases to be satisfied.

(6) A breach of the ownership condition to which a wind-down period applies will cause a QAHC to cease to be a QAHC at the end of the last day of that period.

(7) But where a wind-down period ceases to apply to a breach of the ownership condition as a result of paragraph 28(4) (no acquisition of assets or raising of capital during wind-down), the QAHC ceases to be a QAHC immediately after the time at which the wind-down period ceases to apply.

Timings of transactions that lead to breach of ownership condition

30 (1) For the purposes of determining whether the ownership condition is breached, a transfer of relevant interests in a QAHC, or in an enhanced class of a QAHC, is to be treated as effective at the earlier of—

(a) the time when the obligations of the parties to the transfer necessary to effect the transfer have been met, and

(b) the time when any of the substantive consideration for the transfer has been provided,

(instead of at any earlier time when the transfer is effective).

(2) In sub-paragraph (1)(b) the reference to "substantive consideration" means any amount of the consideration for the transfer other than any amount provided before the transfer which would not be refundable if the transfer did not take place as a result of the transferee not meeting its obligations under the arrangements to make the transfer.

(3) But sub-paragraph (1) does not apply if—

(a) one or more of the parties to the transfer have acted in connection with the transfer with the aim of securing a tax advantage that arises as a result of the application of sub-paragraph (1) (for example by delaying the point at which consideration is provided), and

(b) it is reasonable to conclude that to act in that fashion is contrived, is abnormal or lacks a genuine commercial purpose.

(4) For the purposes of sub-paragraph (3) "tax advantage" is to be construed in accordance with section 1139 of CTA 2010.

Corporation tax consequences of ceasing to be a QAHC

31 (1) For the purposes of corporation tax, when a QAHC ceases to be a QAHC—

(a) a new accounting period begins on at the beginning of the day after the day on which it ceased to be a QAHC, and

(b) accordingly, its previous accounting period ended at the end of the day on which it ceased to be a QAHC.

(2) The following are to be treated, for the purposes of corporation tax, as sold by a QAHC immediately before it ceased to be a QAHC and reacquired by that company immediately after the start of that new accounting period—

(a) any overseas land it holds;

(b) any loan relationship or derivative contract the QAHC is party to for the purposes of an overseas property business of the QAHC, to the extent (apportioned on a just and reasonable basis)—

(i) the relationship or contract is attributable to those purposes, and

(ii) profits arising from that relationship or contract were exempt from corporation tax as a result of paragraph 52(4);

(c) any qualifying shares it holds.

(3) The sale and reacquisition deemed under sub-paragraph (2) is to be treated as being for a consideration equal to the market value of the assets immediately before the QAHC ceased to be a QAHC.

(4) Paragraph 11 of Schedule 7AC to TCGA 1992 has effect as if any reference to a "deemed disposal and reacquisition" did not include a deemed sale and reacquisition under sub-paragraph (2) of this paragraph.

Certain interest payments made around exit to be treated as made by a QAHC

32 Where—

(a) interest is payable under securities of a company in connection with arrangements for a transfer of relevant interests in that company, or in an enhanced class of that company, and

(b) that company ceased to be a QAHC as a result of that transfer,

any payment of that interest made on the same day as the company ceased to be a QAHC after it ceased being a QAHC is to be treated as a payment of interest by a QAHC.

PART 4 U.K.

GROUPS

Acquisition of assets into and out of QAHC ring fence business from other member of group

33 (1) This paragraph applies to a disposal by a company to a QAHC of any of the following at a time when the company and the QAHC are members of the same group, other than a disposal from any QAHC ring fence business of the company—

(a) any overseas land;

(b) any loan relationship or derivative contract the QAHC will, following its acquisition, be party to for the purposes of an overseas property business of the QAHC, to the extent (apportioned on a just and reasonable basis)—

(i) the relationship or contract is attributable to those purposes, and

(ii) profits arising from that relationship or contract will be exempt from corporation tax as a result of paragraph 52(4);

(c) any qualifying shares;

(d) any other asset that will, as a result of the disposal, be within the QAHC ring fence business of the QAHC.

(2) This paragraph also applies to the disposal by a QAHC of any assets within its QAHC ring fence business to a company at a time when the QAHC and the company are members of the same group, unless the assets will, as a result of the transfer, be within a QAHC ring fence business of the company.

(3) The following do not apply to a disposal to which this paragraph applies—

(a) section 171 of TCGA 1992 (transfers within a group: general provisions);

(b) section 336 of CTA 2009 (transfers of loans on group transactions);

(c) section 625 of CTA 2009 (group member replacing another as party to derivative contract).

Continuity of substantial shareholdings between group members

34 (1) Where—

(a) A QAHC ("Q") holds a substantial shareholding in a company as a result of a disposal of qualifying shares to it from a company ("G") made at a time when Q and G are members of the same group,

(b) immediately before the disposal, G held a substantial shareholding in that company as a result of holding the shares that were disposed of,

(c) at that time, those shares had been held by G for less than 12 months,

(d) following the disposal Q holds those shares until they have been held by G and Q between them for a total period of 12 months (whether or not Q remains a QAHC at the end of that period), and

(e) if the shares had instead been held by Q throughout that entire period and Q were to dispose of them immediately after the end of that period, any gain on that disposal would not be a chargeable gain as a result of an exemption under Part 1 of Schedule 7AC to TCGA 1992 (exemptions for disposals by companies with substantial shareholding),

any gain accruing to G on the disposal to Q is not a chargeable gain.

(2) But in determining, for the purposes of sub-paragraph (1)(e), whether a gain on a disposal would not be a chargeable gain as a result of an exemption under Part 1 of Schedule 7AC to TCGA 1992, that Schedule has effect as if—

(a) paragraph 9 of that Schedule (aggregation of holdings of group companies) were omitted,

(b) paragraph 11 of that Schedule were omitted, and

(c) in paragraph 19(1), the references to the time of the disposal were instead to the end of the 12 month period referred to in sub-paragraph (1)(d).

(3) Where—

(a) a company that has ceased to be a QAHC ("C") acquired (when it was a QAHC) shares from a company ("G") as a result of a transfer described in paragraph 33(1) (disposal to QAHC by member of same group),

(b) immediately before the disposal, G held a substantial shareholding in a company as a result of holding the shares that were disposed of,

(c) at that time, those shares had been held by G for less than 12 months, and

(d) following the disposal C holds those shares until they have been held by G and the C between them for a total period of 12 months,

C is, for the purposes of paragraph 7 of Schedule 7AC to TCGA 1992, to be deemed to have held the shares for that entire period.

F22...

F22 35 . . . . . .

Textual Amendments

F22 Sch. 2 para. 35 and cross-heading omitted (11.7.2023) by virtue of Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 13(2)**

Gain or loss arising where section 179 of TCGA 1992 applies in relation to transfer of assets

36 (1) This paragraph applies where—

(a) section 179 of TCGA 1992 (company ceasing to be a member of group) applies in relation to the acquisition of an asset ("the relevant asset"), other than an exempt asset, by a company ("A") from another company ("B"),

(b) a chargeable gain or an allowable loss would have accrued to B on a disposal of qualifying shares, but did not as B was a QAHC at the time of the disposal of those shares (see paragraph 53), and

(c) that gain or loss would have been adjusted as a result of subsection (3D) or (3E) of that section by reference to a chargeable gain or an allowable loss that would, in the absence of subsection (3A), have accrued to A under subsection (3) in relation to the relevant asset.

(2) Where a chargeable gain would have accrued to A, a chargeable gain in the same amount is treated as accruing to B outside its QAHC ring fence business.

(3) Where an allowable loss would have accrued to A, an allowable loss in the same amount is treated as accruing to B outside its QAHC ring fence business.

(4) Assets are exempt assets if a gain accruing to a QAHC on a disposal of such assets would not be a chargeable gain as a result of paragraph 53 (no chargeable gain on disposal of overseas land or qualifying shares).

PART 5 U.K.

CLOSE COMPANIES, EXCHANGE GAINS AND BASIS OF ACCOUNTING

Non-close QAHCs treated as close companies for certain purposes

37 Chapters 3 to 3B of Part 10 of CTA 2010 (charge to tax in case of loan to participator etc) apply to a QAHC that is not a close company as if the QAHC were a close company.

Exchange gains

38 (1) The Loan Relationships and Derivative Contracts (Exchange Gains and Losses using Fair Value Accounting) Regulations 2005 (S.I. 2005/3422) are amended as follows.

(2) In regulation 2 (interpretation), after the definition of "loan relationship" insert—

""QAHC" has the same meaning as in Schedule 2 to FA 2022;".

(3) In regulation 5 (exchange gain or loss arising from loan relationship assets or liabilities), after paragraph (3) insert—

"(4) But where paragraph (1) applies in relation to loan relationship assets or liabilities of a QAHC and—

(a) an amount is recognised in the QAHC's accounts which arises from comparing at different times the fair value of the asset or liability (or in the case of regulation 5(1)(b) any part of it), and

(b) the change in fair value is attributable to any extent to fluctuations in the spot rate of exchange between the base currency of the QAHC and—

(i) the currency in which the asset or liability is denominated, or

(ii) another currency which is relevant to the value of the asset or liability,

the exchange gain or loss is instead calculated as set out in paragraph (5).

(5) The exchange gain or loss for any accounting period is the change in fair value between the earlier and the later time in that period that is attributable only to fluctuations in the spot rate of exchange between that currency, or those currencies, and the base currency of the QAHC."

Amortised cost basis not required for certain connected companies relationships

39 (1) Section 349 of CTA 2009 (application of amortised cost basis to connected companies relationships) does not apply to a debtor relationship that is a connected companies relationship of a QAHC to the extent the money received under it is used to lend money under, or is used on the acquisition of, loan relationships falling within sub-paragraph (2).

(2) A loan relationship falls within this sub-paragraph if—

(a) it is a creditor relationship of the QAHC,

(b) it is dealt with in the QAHC's accounts on the basis of fair value accounting,

(c) credits and debits which are to be brought into account for the purposes of Part 5 of CTA 2009 in respect of the relationship are not determined on an amortised cost basis of accounting.

(3) In this paragraph "creditor relationship", "debtor relationship", "fair value accounting", "amortised cost basis of accounting" and "connected companies relationship" have the meanings they have in Part 5 of CTA 2009 (see sections 302, 313 and 348 of that Act).

PART 6 U.K.

TRANSFER PRICING AND CORPORATE INTEREST RESTRICTION RULES

Transfer pricing: participation condition always met for investors in a QAHC etc

40 (1) For the purposes of section 147(1) of TIOPA 2010 (basic pre-condition), where the affected persons are—

(a) a QAHC, and

(b) a person with a sufficient connection to the QAHC,

the participation condition in section 148 of that Act is treated as met.

(2) An affected person ("A") has a sufficient connection to the QAHC if—

(a) A has a relevant interest in the QAHC or in an enhanced class of the QAHC, or

(b) any of the persons with such an interest has a relationship with A such that the participation condition in that section would have been met had the affected persons been A and that person (instead of A and the QAHC).

(3) In this paragraph, and in paragraph 41, "affected person" is to be construed in accordance with Part 4 of that Act.

Transfer pricing: no small and medium-sized enterprise exemption

41 (1) Section 166(1) of TIOPA 2010 (exemption for small and medium-sized enterprises from basic transfer pricing rule) does not apply to a potentially advantaged person if that person or the other affected person is a QAHC.

(2) In this paragraph "potentially advantaged person" is to be construed in accordance with Part 4 of that Act.

Application of corporate interest restriction rules (non-consolidation of certain subsidiaries)

42 (1) Sub-paragraph (2) applies where—

(a) a QAHC is a member of a worldwide group,

(b) the QAHC has a subsidiary ("S") which it holds as a market value investment,

(c) apart from that sub-paragraph, S would be a member of the group, and

(d) the management of S and its subsidiaries is not coordinated to any extent with the management by any person of any other entity.

(2) For the purposes of Part 10 of TIOPA 2010 (corporate interest restriction), this paragraph and paragraph 43—

(a) the group does not include S or its subsidiaries, and

(b) accordingly, neither S nor any of its subsidiaries is regarded as a consolidated subsidiary of any member of the group.

(3) For the purposes of this paragraph and paragraph 43, a QAHC holds an interest in an entity as "a market value investment" if—

(a) the QAHC holds the interest as an investment, and

(b) the QAHC judges the value that the interest has to it wholly or mainly by reference to the market value of the interest.

(4) Expressions used in this paragraph or in paragraph 43 that are defined for the purposes of Part 10 of TIOPA 2010 have the same meaning they have in that Part.

(5) In this paragraph, and in paragraph 43, "subsidiary" has the meaning given by international accounting standards (but see section 494 of TIOPA 2010 for the definition of "wholly-owned subsidiary").

Application of corporate interest restriction rules (consolidation of QAHC stacks)

43 (1) Sub-paragraph (2) applies where—

(a) a QAHC ("P") would not, apart from that sub-paragraph, be a member of a multi-company worldwide group,

(b) P has a wholly-owned subsidiary ("W") which it does not hold as a market value investment,

(c) W is a QAHC, and

(d) P is either—

(i) not a wholly-owned subsidiary of another QAHC, or

(ii) is such a subsidiary but is held as a market value investment.

(2) For the purposes of Part 10 of TIOPA 2010, paragraph 42 and this paragraph—

(a) P is the ultimate parent of a worldwide group, and

(b) W, and any consolidated subsidiary of W—

(i) is a member of that group and not of any other worldwide group, and

(ii) is a consolidated subsidiary of P.

(3) Sub-paragraph (4) applies where—

(a) a QAHC ("M") is a member of a multi-company worldwide group ("G") (including as a result of the application of sub-paragraph (2) or the previous application of this sub-paragraph),

(b) M has a wholly-owned subsidiary ("N") which it does not hold as a market value investment,

(c) N is a QAHC, and

(d) apart from that sub-paragraph, N would not be a member of G.

(4) For the purposes of Part 10 of TIOPA 2010, paragraph 42 and this paragraph, N, and any consolidated subsidiary of N—

(a) is a member of G and not of any other worldwide group, and

(b) is a consolidated subsidiary of M and any other member of G in relation to which M is a consolidated subsidiary.

PART 7 U.K.

TREATMENT OF CERTAIN AMOUNTS PAYABLE BY A QAHC

Treatment of certain distributions

44 (1) A relevant distribution out of assets of a QAHC in respect of a security of the QAHC is not to be treated as a distribution for the purposes of the Corporation Tax Acts if the QAHC is party to the security for the purposes of its QAHC ring fence business.

(2) Accordingly, among other things, section 465 of CTA 2009 (exclusion of distributions from being taken into account for the purposes of Part 5 of that Act) does not apply to a relevant distribution.

(3) A "relevant distribution" is any interest or distribution in respect of a security of a QAHC if it would, ignoring this paragraph, be a distribution for the purposes of the Corporation Tax Acts only as a result of the security being a relevant security.

(4) In sub-paragraph (3) "relevant security" means a security that—

(a) meets Condition B, C or D, or any combination of those conditions, in section 1015 of CTA 2010 (meaning of "special securities") and does not meet Condition A or E in that section, or

(b) is a non-commercial security within the meaning of section 1005 of that Act.

(5) Where a QAHC is party to a security partly for the purposes of its QAHC ring fence business and partly for another purpose, only the proportion of a relevant distribution in respect of that security that is attributable to the QAHC ring fence business (apportioned on a just and reasonable basis) is not to be treated as a distribution for the purposes of the Corporation Tax Acts.

Application of hybrid and other mismatches rules where paragraph 44 applies

45 (1) For the purposes of subsection (2) of section 259CB of TIOPA 2010 (hybrid or otherwise impermissible deduction/non-inclusion mismatches and their extent), so far as the excess referred to in that subsection arises by reason of a qualified distribution, it is to be taken not to arise by reason of the terms, or any other feature, of the security in respect of which the qualified distribution is made (whether or not it would have arisen by reason of the terms, or any other feature, of the security regardless).

(2) For the purposes of subsection (7) of section 259CB of TIOPA 2010 (hybrid or otherwise impermissible deduction/non-inclusion mismatches and their extent), so far as an amount of ordinary income is under taxed by reason of a qualified distribution, it is to be taken not to be under taxed by reason of the terms, or any other feature, of the security in respect of which the qualified distribution is made (even if it would have been under taxed for another reason regardless of the terms, or any other feature, of the security).

(3) That section has effect as if in subsections (4) and (8) after "(9)" there were inserted "and paragraph 45(1) and (2) of Schedule 2 to FA 2022".

(4) Where a QAHC is obliged to make a qualified distribution as a result of a payment to it, so much of that payment as gives rise to the obligation is to be treated as ordinary income of the QAHC for the purposes of Chapter 3 of Part 6A of TIOPA 2010 (hybrid and other mismatches from financial instruments).

(5) In this paragraph—

"qualified distribution" means a relevant distribution (see paragraph 44) that is not treated as a distribution for the purposes of the Corporation Tax Acts as a result of paragraph 44;

"payment", "ordinary income" and "under taxed" have the meanings they have in Part 6A of TIOPA 2010 (see sections 259BB, 259BC and 259CC of that Act).

Payments of distributions etc to individual to whom the remittance basis applies

46 (1) This paragraph applies in relation to income or a chargeable gain arising to an individual in a tax year if—

(a) section 809B, 809D or 809E of ITA 2007 applies to the individual for that tax year,

(b) the income or gain arises as a result of—

(i) the payment of interest by a QAHC,

(ii) the making of a distribution or a qualified distribution by a QAHC, or

(iii) the disposal by the individual of shares in a QAHC,

(c) in the case of a payment of interest or the making of a distribution or qualified distribution, the individual provided investment management services in connection with investment arrangements to which the QAHC is party, and

(d) in the case of a disposal of shares, the shares were acquired by the individual during the course of the individual providing investment management services in relation to such arrangements.

(2) The foreign proportion of the amount of any such income is to be treated, for the purposes of income tax, as relevant foreign income.

(3) The foreign proportion of the amount of any such gain is to be treated, for the purposes of capital gains tax, as a gain accruing on the disposal of foreign assets.

(4) For the purposes of this paragraph, the "foreign proportion" of an amount of income or of a gain is equal to the proportion of the profits of the QAHC in the relevant period that was derived from foreign sources, apportioned on a just and reasonable basis in accordance with sub-paragraph (6).

(5) The "relevant period" means—

(a) where the QAHC has been a QAHC for at least three accounting periods, the three most recent complete accounting periods of the QAHC, or

(b) otherwise, the period beginning with beginning of the day on which the QAHC became a QAHC and ending with—

(i) where the income or chargeable gain arose to the individual on that day, the end of that day, or

(ii) otherwise, the end of the day before the income or chargeable gain arose to the individual.

(6) For the purposes of determining the proportion of profits of a QAHC that were derived from foreign sources in the relevant period—

(a) include any profits that would have arisen had the QAHC disposed of all of its assets for a consideration equal to the market value of the assets immediately before the end of the period, and

(b) whether profits are derived from foreign sources is to be determined by reference to the ultimate underlying income or assets to which the profits relate (so, for example, the extent to which profits arising from an interest in another company are derived from foreign sources depends on the extent to which the profits of that company are derived from income arising outside the United Kingdom or the disposal of assets outside the United Kingdom).

(7) In this paragraph—

"foreign asset" has the meaning it has in Schedule 1 to TCGA 1992 (see paragraph 5 of that Schedule);

"profits", in relation to a company, means income and chargeable gains;

"qualified distribution" has the meaning given by paragraph 45(5).

Purchase of own shares

47 (1) A payment made by a QAHC on the redemption, repayment or purchase of its own shares is not a distribution for the purposes of the Corporation Tax Acts.

(2) But sub-paragraph (1) does not apply to payments in relation to qualifying employment-related securities.

(3) "Qualifying employment-related securities" means employment-related securities acquired by a person, other than a fund manager in relation to the QAHC, where the right or opportunity to acquire the securities or interest is available by reason of an employment of that person or any other person by—

(a) the QAHC, or

(b) a company in which the QAHC has at least a 25% interest.

(4) To determine for the purposes of sub-paragraph (3)(b) whether a QAHC has at least a 25% interest in a company, apply the rules for determining whether a company is a 75% subsidiary of another company for the purposes of Part 5 of CTA 2010 (see section 151 and Chapter 3 of Part 24 of that Act) as if references to "75%" were to "25%".

(5) In this paragraph—

"employment-related securities" has the meaning given by section 421B of ITEPA 2003;

"fund manager", in relation to a QAHC, means an individual who provides investment management services in relation to the QAHC ring fence business of the QAHC;

"own shares", in relation to a company, means shares of the company.

Disapplication of paragraph 47 during cure period for certain non-category A investors

48 (1) Where a QAHC has breached the ownership condition and a cure period applies to the breach, paragraph 47(1) does not apply to payments made to a person who is not a category A investor if—

(a) where the sum of relevant interests in the QAHC held by persons who are not category A investors exceeds 30%, the person has increased their relevant interests in the QAHC on or after the day on which that limit was exceeded, or

(b) where the sum of relevant interests in an enhanced class of the QAHC held by persons who are not category A investors exceeds 30%, the person has increased their relevant interests in that class on or after the day on which that limit was exceeded.

(2) Where —

(a) after the breach the QAHC meets the ownership condition, and

(b) as a result of paragraph 27(4) the breach is treated as having not occurred for the purposes of Part 3 of this Schedule,

sub-paragraph (1) continues to apply to payments made before the QAHC met the ownership condition (despite the fact the breach is treated as not having occurred for the purposes of that Part).

Transactions in securities rules

49 Section 684 of ITA 2007 (person liable to counteraction of income tax advantage) does not apply to a person if—

(a) that section would (ignoring this paragraph) only apply to the person as a result of the person being a party to a transaction in securities, or two or more transactions in securities, where the securities in question are securities of a QAHC, and

(b) the securities are not qualifying employment-related securities (within the meaning given by paragraph 47(3)) in relation to the person.

Late interest

50 (1) Section 373(1) of CTA 2009 (late interest treated as not accruing until paid in some cases) does not apply to a qualifying debit.

(2) For the purpose of this paragraph, a debit is "qualifying" if—

(a) it relates to interest payable under a debtor relationship of a QAHC,

(b) the QAHC is party to the relationship for the purposes of its QAHC ring fence business, and

(c) the interest to which the debit relates accrues at a time when the QAHC is a QAHC.

(3) Where a QAHC is party to a debtor relationship partly for the purposes of its QAHC ring fence business and partly for another purpose, sub-paragraph (1) applies only to the proportion of the qualifying debit that is attributable to the QAHC ring fence business (apportioned on a just and reasonable basis).

(4) In this paragraph "debit" and "debtor relationship" are to be construed in accordance with Part 5 of CTA 2009.

Deeply discounted securities

51 (1) Section 409(2) of CTA 2009 (postponement until redemption of debits for close companies' deeply discounted securities) does not apply to a qualifying debit.

(2) For the purposes of this paragraph, a debit is "qualifying" if—

(a) it is a debit in respect of a deeply discounted security of the QAHC that relates to the amount of the discount,

(b) the QAHC is party to the security for the purposes of its QAHC ring fence business, and

(c) the discount to which the debit relates is referable to an accounting period during which the QAHC is a QAHC.

(3) Where a QAHC is party to a deeply discounted security partly for the purposes of its QAHC ring fence business and partly for another purpose, sub-paragraph (1) applies only to the proportion of the qualifying debit that is attributable to the QAHC ring fence business (apportioned on a just and reasonable basis).

(4) In this paragraph—

"debit" is to be construed in accordance with Part 5 of CTA 2009;

"deeply discounted security" has the meaning it has in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 430 of that Act);

"the discount" has the meaning given by section 406(3) of CTA 2009.

PART 8 U.K.

OVERSEAS PROPERTY INCOME

Overseas property income of a QAHC

52 (1) No liability to corporation tax arises in respect of QAHC overseas property profits to the extent those profits are taxable in a foreign jurisdiction.

(2) "QAHC overseas property profits" means any profits that would, ignoring this paragraph, be chargeable to tax under Chapter 3 of Part 4 of CTA 2009 (profits of property businesses) as profits of an overseas property business of a QAHC.

(3) Profits are taxable in a foreign jurisdiction if they are chargeable to tax (and are neither subject to any exemption or relief from tax nor chargeable at a nil rate) under the law of a territory outside the United Kingdom so far as that tax—

(a) is charged on income and corresponds to United Kingdom income tax, or

(b) is charged on income and corresponds to the United Kingdom charge to corporation tax on income.

(4) No liability to corporation tax arises in respect of profits that arise from loan relationships and derivative contracts that a QAHC is party to for the purposes of an overseas property business of that QAHC to the extent (apportioned on a just and reasonable basis) those profits relate to profits that are exempt from corporation tax as a result of sub-paragraph (1).

(5) Where a QAHC is party to a loan relationship or a derivative contract partly for the purposes of an overseas property business and partly for another purpose, sub-paragraph (4) only applies to the proportion of profits arising from that relationship or contract that are attributable to the overseas property business (apportioned on a just and reasonable basis).

PART 9 U.K.

DISPOSALS OF OVERSEAS LAND AND CERTAIN SHARES

No chargeable gain on disposal of overseas land or certain shares

53 (1) A gain accruing to a QAHC on a disposal of overseas land or qualifying shares is not a chargeable gain.

(2) "Qualifying shares" means any shares apart from shares whose disposal would, in accordance with Part 2 of Schedule 1A to TCGA 1992 (whether asset derives at least 75% of its value from UK land), be regarded as a disposal of an asset deriving at least 75% of its value from UK land.

(3) For the purposes of sub-paragraph (2), "shares" includes—

(a) stock;

(b) any other interest of a member in a company (including a company that has no share capital);

(c) any interest as co-owner of shares (whether the shares are owned jointly or in common and whether or not the interests of the co-owners are equal);

(d) rights of unit holders in unit trust schemes that are treated as if they were shares for the purposes of TCGA 1992 as a result of section 99(1) of that Act;

(e) units in tax transparent funds that are treated as assets for the purposes of that Act as a result of section 103D(3) of that Act;

(f) any derivative contract to the extent that the underlying subject matter of the contract is shares.

(4) In this paragraph—

[[F23]"derivative contract" means—

(a) a derivative contract within the meaning of Part 7 of CTA 2009 (see section 576 of that Act), or

(b) a contract which is not a derivative contract within the meaning of that Part only as a result of section 589(2)(b) of that Act (general exclusion of contracts whose underlying subject matter consists of shares);**]**

"unit trust scheme" and "unit holder" have the meaning they have in section 99 of TCGA 1992;

"tax transparent fund" and "units" in relation to such a fund have the meaning they have in section 103D of that Act.

Textual Amendments

F23 Words in Sch. 2 para. 53(4) inserted (retrospectively) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 14**

PART 10 U.K.

STAMP DUTY AND STAMP DUTY RESERVE TAX

Stamp duty and SDRT exemption for repurchase of own shares or loan capital

54 (1) A transfer to a QAHC of its own shares or own loan capital is exempt from all stamp duties if—

(a) the transfer does not form part of disqualifying arrangements,

(b) the transfer does not take place at a time when there exist arrangements for a substantial sale of the QAHC, and

(c) in the case of a transfer of own shares, the QAHC delivers a return in relation to the transfer of the shares to the registrar of companies in accordance with section 707 of the Companies Act 2006 (return on purchase of own shares).

(2) In this paragraph "own loan capital", in relation to a company, means loan capital issued by that company.

(3) For the purpose of determining whether a company was a QAHC at the time a transfer of its own shares or own loan capital was made to it, the transfer is to be treated as taking place—

(a) in a case where the agreement to make the transfer is conditional, on the day on which the condition is satisfied, or

(b) in any other case, the day on which the agreement is made.

(4) But a transfer of own shares or own loan capital to a company that ceased being a QAHC as a result of that transfer is to be treated as a transfer to a QAHC.

(5) A transfer of a QAHC's own shares or own loan capital to it forms part of disqualifying arrangements if it is reasonable to assume that—

(a) that transfer is made in connection with the issue by the QAHC of new shares or new loan capital to a person ("P") other than the transferor of the QAHC's own shares or own loan capital, and

(b) the main purpose, or one of the main purposes, of the making of the transfer and the issuing of those shares or loan capital is to secure an outcome which is substantially economically equivalent to a transfer of the QAHC's own shares or own loan capital, or a part of those shares or that capital, from the transferor to P.

(6) There are arrangements for a substantial sale of the QAHC if—

(a) arrangements exist for the disposal of shares or loan capital, or a mixture of both, that represent at least 90% of relevant interests in the QAHC (determined in accordance with the rules in paragraphs 3 to 6 for determining whether a person has a relevant interest in a QAHC), and

(b) those arrangements will include the acquisition by a person of shares or loan capital that represent a relevant interest in the QAHC.

(7) In this paragraph "loan capital" has the meaning given by section 78(7) of FA 1986, and reference to the issue of loan capital includes the issuing of any rights in connection with the raising of capital.

PART 11 U.K.

EXEMPTION FROM SECTION 874 OF ITA 2007 (WITHHOLDING TAX)

55 In Part 15 of ITA 2007 (deduction of income tax at source), after section 888D insert—

"**888DA Payments of interest by a QAHC**

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest (however the interest arises) by a QAHC (within the meaning of Schedule 2 to FA 2022)."

PART 12 U.K.

SUPPLEMENTARY

Minor and consequential amendments

56 (1) In section 212 of TCGA 1992 (annual deemed disposal of certain holdings of insurance companies), in subsection (1), at the end of paragraph (c) insert "or,

(d) shares in a company which is, or is a member of, a QAHC within the meaning of Schedule 2 to the Finance Act 2022 (qualifying asset holding companies),".

(2) In section 830(4) of ITTOIA 2005 (meaning of "relevant foreign income") omit the "and" before paragraph (i) and after that paragraph insert ", and

(j) paragraph 46(2) of Schedule 2 to FA 2022 (qualifying asset holding companies)."

(3) In section 465(3) of CTA 2009 (exclusion of distributions except in tax avoidance cases) omit the "and" before paragraph (d) and after that paragraph insert ", and

(e) paragraph 44 of Schedule 2 to FA 2022 (distributions under certain securities issued by qualifying asset holding companies)."

Making of notifications and returns

57 (1) HMRC may require that any information required to be given to HMRC by virtue of this Schedule is to be given in such form and manner (including by specified means of electronic communication) as may be specified in a notice published by HMRC.

(2) A notice under sub-paragraph (1) may be amended or withdrawn by HMRC by publication of a further notice.

Interpretation

58 (1) In this Schedule—

"AIF" has the meaning given by regulation 3 of the Alternative Investment Fund Managers Regulations 2013 (S.I. 2013/1773);

"category A investor" is to be construed in accordance with paragraph 8;

"collective investment scheme" has the meaning given by section 235 of FISMA 2000;

"company tax return" has the meaning it has in Schedule 18 to FA 1998;

"cure period" is to be construed in accordance with paragraph 27(3) to (5);

"enhanced class" is to be construed in accordance with paragraph 3(3);

"entry notification" is to be construed in accordance with paragraph 14;

"equity holder" has the meaning it has in Part 5 of CTA 2010 (see section 158 of that Act) **[**F24, but see also paragraph 59 of this Schedule**]**;

"equity securities" has the meaning given by section 560 of the Companies Act 2006;

"exit notification" is to be construed in accordance with paragraph 25;

"fund" and "qualifying fund" are to be construed in accordance with paragraph 9;

"HMRC" means Her Majesty's Revenue and Customs;

"land" includes—

(a) buildings and structures;

(b) any estate, interest or right in or over land;

(c) land under the sea or otherwise covered by water;

"market value" has the meaning it has in TCGA 1992 (see sections 272 and 273 of that Act);

"own shares" is to be construed in accordance with paragraph 47(5);

"overseas land" means land outside the United Kingdom;

"QAHC ring fence business" has the meaning given by paragraph 20(1);

"qualifying shares" is to be construed in accordance with paragraph 53;

"participant", in relation to a qualifying fund, means a person who takes part in the arrangements constituting the fund, whether by becoming the owner of, or of any part of, the property that is the subject of the arrangements or otherwise;

"relevant distribution" has the meaning given by paragraph 44(3);

"relevant interest" is to be construed in accordance with paragraph 3;

[F25"securitisation company" means a company whose profits are brought into account, for corporation tax purposes, in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006 (S.I. 2006/3296);**]**

"substantial shareholding" is to be construed in accordance with Schedule 7AC to TCGA 1992 (see, in particular, paragraphs 8 and 8A of that Schedule);

"UK REIT" means—

(a) a company UK REIT within the meaning of Part 12 of CTA 2010 (see section 524 of that Act), or

(b) a company that is a member of a group UK REIT within the meaning of that Part (see sections 523 and 606 of that Act);

"underlying subject matter", in relation to a derivative contract, is to be construed in accordance with section 583 of CTA 2009 (meaning of "underlying subject matter");

"wind-down period" is to be construed in accordance with paragraph 28.

(2) References in this Schedule to "investment management services" are to be construed in accordance with the definition of that term in section 809EZE of ITA 2007 as if—

(a) references in that definition to an investment scheme included a QAHC, and

(b) references to participants were, in relation to a QAHC, to persons with a relevant interest in the QAHC.

[F26(3) In this Schedule, apart from in paragraphs 42 and 43 (worldwide groups), references to a company being a member of a group of companies are to be read in accordance with section 170 of TCGA 1992 (interpretation of sections 171 to 181 of that Act: groups).**]**

Textual Amendments

F24 Words in Sch. 2 para. 58(1) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 15(3)**

F25 Words in Sch. 2 para. 58(1) inserted (retrospective to 15.3.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 8(2)**(3) (with Sch. 4 para. 8(4))

F26 Sch. 2 para. 58(3) inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 13(3)**

[**F27 Alternative finance arrangements**]

[F27 59 (1) Sub-paragraph (2) applies for the purposes of determining the amounts of relevant interests in companies in accordance with paragraphs 3 to 6 and the provisions of Chapter 6 of Part 6 of CTA 2010 applied by those paragraphs.

(2) Where a person has (in substance) a beneficial entitlement to the profits of a company as a result of qualifying alternative finance arrangements—

(a) that entitlement is to be treated as an entitlement to a proportion of the profits of that company available for distribution to equity holders of the company, and

(b) that person is to be treated as an equity holder.

(3) "Qualifying alternative finance arrangements" means arrangements—

(a) that constitute alternative finance arrangements for the purposes of Chapter 6 of Part 6 of CTA 2009 (alternative finance arrangements), or

(b) that do not constitute alternative finance arrangements only as a result of section 508 of that Act (exclusion provision not at arms length).

(4) But arrangements that are analogous to a normal commercial loan are not qualifying alternative finance arrangements.

(5) Arrangements are analogous to a normal commercial loan if, were the arrangements structured as a loan that resulted in the same or similar entitlements of the parties to the arrangements, they would constitute a normal commercial loan within the meaning of section 162 of CTA 2010.**]**

Textual Amendments

F27 Sch. 2 para. 59 and cross-heading inserted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 15(1)**

Changes to legislation:
There are currently no known outstanding effects for the Finance Act 2022, SCHEDULE 2.