
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2022, Paragraph 20. (See end of Document for details)

SCHEDULES

SCHEDULE 2

QUALIFYING ASSET HOLDING COMPANIES

PART 2

BECOMING A QAHC

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).

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- (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).

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