

1 Entrepreneurs' relief: reduction in lifetime limit

Schedule 1 contains provisions about relief under Chapter 3 of Part 5 of TCGA 1992.

SCHEDULES

SCHEDULE 1

Section 1

ENTREPRENEURS’ RELIEF: REDUCTION IN LIFETIME LIMIT

Reduction in lifetime limit

- 1 In section 169N of TCGA 1992 (entrepreneurs’ relief: amount of relief) –
 - (a) in subsection (4), for “£10 million” substitute “£1 million”;
 - (b) in subsection (4A), for “£10 million” substitute “£1 million”.

Commencement

- 2 The amendments made by paragraph 1 have effect in relation to disposals made on or after 11 March 2020.

Anti-forestalling: unconditional contracts

- 3 (1) This paragraph applies where an asset is conveyed or transferred on or after 11 March 2020 under a contract made before that date that is not conditional.
 - (2) Despite section 28(1) of TCGA 1992 (disposal under unconditional contract made at time of contract and not at time of later conveyance or transfer), the disposal is to be treated for the purposes of paragraph 2 as taking place at the time the asset is conveyed or transferred, and not at the time the contract is made, unless the condition in sub-paragraph (3) or (4) is met.
 - (3) The condition in this sub-paragraph is that –
 - (a) the parties to the contract are not connected persons,
 - (b) no purpose of entering into the contract was obtaining an advantage by reason of the application of section 28(1) of TCGA 1992, and
 - (c) the person making the conveyance or transfer makes a claim which includes a statement that the condition in paragraph (b) is met.
 - (4) The condition in this sub-paragraph is that –
 - (a) the parties to the contract are connected persons,
 - (b) the contract was entered into wholly for commercial reasons,
 - (c) no purpose of entering into the contract was obtaining an advantage by reason of the application of section 28(1) of TCGA 1992, and
 - (d) the person making the conveyance or transfer makes a claim which includes a statement that the conditions in paragraphs (b) and (c) are met.
- (5) Section 169M(2) and (3) of TCGA 1992 apply to a claim under sub-paragraph (3)(c) or (4)(d) as if it were a claim for entrepreneurs’ relief.

Anti-forestalling: exchanges of securities etc

- 4 (1) This paragraph applies where—
- (a) on or after 6 April 2019 but before 11 March 2020, there is an exchange of shares or securities within section 135(1) of TCGA 1992, and
 - (b) the condition in sub-paragraph (2) or (3) is met.
- (2) The condition in this sub-paragraph is that—
- (a) the persons who hold shares or securities in company B immediately after the exchange are substantially the same as those who held shares or securities in company A immediately before the exchange, or
 - (b) the persons who have control of company B immediately after the exchange are substantially the same as those who had control of company A immediately before the exchange.
- (3) The condition in this sub-paragraph is that—
- (a) the relevant shareholders, taken together, hold a greater percentage of the ordinary share capital in company B immediately after the exchange than they held in company A immediately before the exchange, and
 - (b) on 11 March 2020—
 - (i) company B is the relevant individual’s personal company and is either a trading company or the holding company of a trading group, and
 - (ii) the relevant individual is an officer or employee of company B or (if company B is a member of a trading group) of one or more companies which are members of the trading group.
- (4) In sub-paragraph (3)—
- “the relevant individual” means—
 - (a) where a claim under section 169M of TCGA 1992 is made jointly by the trustees of a settlement and a qualifying beneficiary, the qualifying beneficiary;
 - (b) where a claim under that section is made by an individual, the individual;
 - “the relevant shareholders” means the persons who—
 - (a) immediately after the exchange, hold shares or securities in company B, and
 - (b) immediately before the exchange, also held shares or securities in company A.
- (5) For the purposes of sub-paragraph (2)(a), connected persons are to be treated as the same person.
- (6) Where an election in respect of the exchange is made under section 169Q of TCGA 1992 (reorganisations: disapplication of section 127) on or after 11 March 2020, the disposal of the original shares is to be treated for the purposes of paragraph 2 as taking place at the time of the election and not at the time of the exchange.
- (7) Where, before the exchange, the Commissioners for Her Majesty’s Revenue and Customs have issued a notification in respect of it under section 138(1) of TCGA 1992 (advance clearance procedure)—

- (a) sections 127 to 131 of that Act apply with the necessary adaptations as if—
 - (i) company A and company B were the same company, and
 - (ii) the exchange were a reorganisation;
- (b) section 169Q of that Act applies as if the exchange were treated as a reorganisation by virtue of section 135 of that Act.

Interpretation

- 5 (1) Paragraphs 2 to 4 are to be construed as if they were contained in Chapter 3 of Part 5 of TCGA 1992, subject to sub-paragraph (2).
- (2) In those paragraphs—
 - “company A” and “company B” have the same meanings as in section 135 of TCGA 1992;
 - “original shares” and “reorganisation” have the meanings given by section 126 of TCGA 1992;
 - “trading company” and “trading group” have the meanings given by paragraph 1 of Schedule 7ZA to TCGA 1992.