

1 Entrepreneurs' relief: exclusion of goodwill in certain circumstances

- (1) Chapter 3 of Part 5 of TCGA 1992 (entrepreneurs' relief) is amended as follows.
- (2) In section 169H (introduction), in subsection (3), for "section 169L" substitute "sections 169L and 169LA".
- (3) In section 169L (relevant business assets), in subsection (2), after "including" insert ", subject to section 169LA,".
- (4) After that section insert –

"169LA Relevant business assets: goodwill transferred to a related party etc

- (1) Subsection (3) applies if –
 - (a) as part of a qualifying business disposal, a person ("P") disposes of goodwill directly or indirectly to a close company ("C"), and
 - (b) at the time of the disposal, P is a related party in relation to C.
 - (2) P is a related party in relation to C for the purposes of this section if P is a related party in relation to C for the purposes of Part 8 of CTA 2009 (intangible fixed assets) (see Chapter 12 of that Part (related parties) and, in particular, section 835(5) of that Act).
 - (3) For the purposes of this Chapter, the goodwill is not one of the relevant business assets comprised in the qualifying business disposal.
 - (4) If a company –
 - (a) is not resident in the United Kingdom, but
 - (b) would be a close company if it were resident in the United Kingdom,
 the company is to be treated as being a close company for the purposes of this section (including for the purposes of determining whether a person is a related party in relation to the company for the purposes of this section).
 - (5) If a person –
 - (a) disposes of goodwill as part of a qualifying business disposal, and
 - (b) is party to relevant avoidance arrangements,
 subsection (3) applies (if it would not otherwise do so).
 - (6) In subsection (5) "relevant avoidance arrangements" means arrangements the main purpose, or one of the main purposes, of which is to secure –
 - (a) that subsection (3) does not apply in relation to the goodwill, or
 - (b) that the person is not a related party (for whatever purposes) in relation to a company to which the disposal of goodwill is directly or indirectly made.
 - (7) In subsection (6) "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."
- (5) The amendments made by this section have effect in relation to qualifying business disposals made on or after 3 December 2014.