Amendments 1-2 to Clause 28: Substantial shareholding exemption: institutional investors

Summary

1. These amendments ensure that the alternative definition of what constitutes a substantial shareholding for a company owned by qualifying institutional investors applies in relation to all of the exemptions available under the Substantial Shareholding Exemption (SSE). The SSE provides an exemption from corporation tax for capital gains and losses realised on the disposal of certain shareholdings.

Details of the amendments

2. Amendment 1 removes the restrictive words from the start of new paragraph 8A to Schedule 7AC of the Taxation of Chargeable Gains Act 1992, so that it can apply in respect of all the exemptions in Part 1 of the Schedule, rather than just those in paragraph 3 and new paragraph 3A. The condition that the remaining parts of new paragraph 8A only apply to companies owned at least 25% by qualifying institutional investors is unchanged.

3. Amendment 2 ensures that the alternative way to satisfy the substantial shareholding condition set out in new paragraph 8A applies in relation to all of the Schedule.

Background note

4. This amendment corrects a technical defect in Clause 28, to ensure that it delivers the intended policy outcome.

5. The SSE provides an exemption from corporation tax on chargeable gains on a disposal of shares by a company where various conditions are met.

6. Clause 28 introduces a new exemption which extends the scope of SSE so that it applies to a wider range of circumstances where the company making a disposal is directly or indirectly owned by a Qualifying Institutional Investor (QII).