

# **CORPORATION TAX ACT 2010**

---

## **EXPLANATORY NOTES**

### **INTRODUCTION**

#### **Part 7: Community investment tax relief**

##### **Overview**

812. This Part provides for community investment tax relief (CITR), that is corporation tax reductions for companies which invest in community development finance institutions (CDFIs). It is based on Schedule 16 to FA 2002.
813. Schedule 16 to FA 2002 as enacted also provided for CITR for individuals who invested in CDFIs, by way of reduction of income tax. Relief for individuals has been rewritten in Part 7 of ITA. This Part of this Act largely mirrors Part 7 of ITA.
814. Schedule 1 to ITA has inserted sections 151BA, 151BB and 151BC in TCGA, replacing paragraphs 40 and 41 of Schedule 16 to FA 2002 and, so far as they apply for the purposes of capital gains tax or corporation tax on chargeable gains, paragraphs 47 and 48(2) of that Schedule. Those sections of TCGA accordingly apply in relation to CITR for both individuals and companies.

#### **Chapter 1: Introduction**

##### **Overview**

815. This Chapter quantifies the tax reduction potentially available to a company, labels certain concepts and provides signposts to material contained elsewhere.

#### **Section 218: Meaning of “CITR”**

816. This section sets out a general description of the nature of the relief, an entitlement to tax reductions, and defines it as “CITR”. It is new.

#### **Section 219: Eligibility for CITR**

817. This section summarises the general conditions which need to be met for a company (“the investor”) to be eligible for CITR. It is based on paragraphs 1 and 4(1) of Schedule 16 to FA 2002.
818. *Subsection (1)(a)* requires that, for an investment in a CDFI to qualify for CITR, the CDFI must be accredited under Chapter 2 of Part 7 of ITA.
819. Chapter 2 of Part 7 of ITA provides that accreditation is to be made by the Secretary of State, sets out the criteria for accreditation, contains powers to determine the manner of making applications and the terms and conditions of accreditation, and authorises delegation of the Secretary of State’s functions. These functions have been assigned to the Secretary of State for Business, Innovation and Skills.

820. Sections 340 and 341 in Chapter 2 of Part 7 of ITA contain powers for the Treasury to make regulations. The regulations in force are the [Community Investment Tax Relief \(Accreditation of Community Development Finance Institutions\) Regulations 2003 \(SI 2003/96\)](#), made under the predecessor of those powers in paragraphs 4 and 5 of Schedule 16 to FA 2002, as amended by the Community Investment Tax Relief (Accreditation of Community Development Finance Institutions) (Amendment) Regulations 2008 ([SI 2008/383](#)).
821. Regulations may make different provision for bodies whose principal objective in providing finance is to invest in enterprises whose business does not consist of financing other enterprises or does so only to the extent permitted by the regulations. If such a body is accredited, it is designated as a retail community development finance institution (a “retail CDFI”). See the commentary on section 340 of ITA in the explanatory notes on that Act.
822. The distinction between a retail CDFI and an accredited CDFI which is not a retail CDFI (a “wholesale CDFI”) is relevant to the limits on the total value of investments which a CDFI can make for an accreditation period and which are set out in section 348(4) of ITA and section 229(4) of this Act. [SI 2003/96](#) provides different limits on the value of investments which a retail CDFI and a wholesale CDFI may make in any enterprise.
823. As a consequence of the direct references to Chapter 2 of Part 7 of ITA in subsection (1) (a) of this section and elsewhere in this Part, it is unnecessary to rewrite paragraph 4(2) of Schedule 16 to FA 2002, as substituted by ITA, which contains signposts to the provisions of that Chapter.

#### ***Section 220: Form and amount of CITR***

824. This section specifies the amount of the corporation tax reduction available and the accounting periods for which it may be claimed. It is based on paragraph 20 of Schedule 16 to FA 2002.
825. The combined effect of *subsections (2) and (3)* is that the maximum tax reduction is 25% of the amount invested and is available at the rate of not more than 5% of that amount in each of five accounting periods beginning with that in which the investment is made.

#### ***Section 221: Meaning of “making an investment”***

826. This section provides that an investment in a CDFI may take the form of a loan or an issue of securities or shares. It is based on paragraph 2 of Schedule 16 to FA 2002. See also section 256 which extends the meaning of “loan” to include certain alternative finance arrangements.

#### ***Section 222: Determination of “the invested amount”***

827. This section sets out rules for determining the amount invested for the purposes of section 220. It is based on paragraph 21 of Schedule 16 to FA 2002. In particular, it deals with the complications which arise where a loan may be drawn down in tranches, by requiring the average capital balance of the loan in relation to the accounting period to be calculated.

#### ***Section 223: Meaning of “the 5 year period” and “the investment date”***

828. This section provides the definitions of two significant terms. It is based on paragraph 3 of Schedule 16 to FA 2002. “The 5 year period”, which begins with “the investment date”, is the period during which conditions as to the repayment or redemption of the investment are imposed.

### ***Section 224: Overview of other Chapters of Part***

829. This section indicates the subject matter of the Chapters of this Part not previously mentioned in Chapter 1. It is new.

### ***Chapter 2: Qualifying investments***

#### **Overview**

830. This Chapter sets out the conditions which must be met if an investment is to be a qualifying investment.

### ***Section 225: Qualifying investments: introduction***

831. This section introduces:

- the respective conditions which apply to loans (section 226), to securities (section 227) and to shares (section 228), and
- the provisions which apply to all kinds of investment (sections 229 and 230).

It is based on paragraph 8 of Schedule 16 to FA 2002.

### ***Section 226: Conditions to be met in relation to loans***

832. This section sets out the three conditions applicable to loans. It is based on paragraph 9 of Schedule 16 to FA 2002.

### ***Section 227: Conditions to be met in relation to securities***

833. This section sets out the two conditions applicable to securities. It is based on paragraph 10 of Schedule 16 to FA 2002.

834. Condition A (*subsection (1)*) requires that securities must be subscribed for wholly in cash and fully paid for on the investment date. It is in similar terms to section 228(1) which sets out identical requirements in relation to shares.

835. Section 228(3) (based on paragraph 11(1) of Schedule 16 to FA 2002) provides that shares are not fully paid up for the purposes of section 228(1) if there is any undertaking to pay cash to the CDFI at a future date in connection with the acquisition of the shares. The effect of this is to distinguish the meaning of “paid up” for that purpose from the meaning of those words for the purposes of the Companies Acts in section 583 of the Companies Act 2006 which provides that a share is deemed paid up in cash, or allotted for cash, if the consideration for the allotment or payment up is an undertaking to pay cash to the company at a future date.

836. There is no similar provision in the Companies Acts applicable to the issue of securities, but the position in relation to securities has been made explicit by the inclusion of *subsection (3)*, equivalent to section 228(3). This clarification is not a change in either law or practice.

### ***Section 228: Conditions to be met in relation to shares***

837. This section sets out the two conditions applicable to shares. It is based on paragraph 11 of Schedule 16 to FA 2002.

### ***Section 229: Tax relief certificates***

838. This section sets limits on the value of investments in respect of which a CDFI may issue tax relief certificates in an accreditation period. It is based on paragraph 4(3) and 12 of Schedule 16 to FA 2002. Without a tax relief certificate, an investor may not claim CITR (see section 220(5)(b)).

839. *Subsections (2) and (3)* provide that the limit applies to the total value of investments in the CDFI made in the accreditation period by companies under this Part and by individuals under Part 7 of ITA.
840. *Subsection (4)* provides different amounts for the limits for retail and wholesale CDFIs. See the commentary on section 219.
841. *Subsections (6) and (7)* provide for the substitution of different amounts by Treasury order for the amounts in subsection (4). Subsection (7) is based on paragraph 12(5) of Schedule 16 to FA 2002 which provides that:
- “Any such substitution shall have effect in relation to such accreditation periods as may be specified in the order; and those periods may, if the substitution increases the amount for the time being specified in sub-paragraph (2), include periods beginning before the order takes effect.
842. Subsection (7) corrects two infelicities in the source legislation. For “the amount” it substitutes “an amount” to avoid any doubt that the power to apply an increase retrospectively can be exercised if one only of the amounts in subsection (4) is increased. For “the order takes effect” it substitutes “the order comes into force”. The wording in the source legislation could be misconstrued as referring to the time when the order is itself made. The substituted wording clarifies that the intended meaning is the time when the provisions of the order come into force.
843. In *subsection (8)*, the words “wholly or partly”, which appear before “in contravention” in paragraph 12(6) of Schedule 16 to FA 2002, have been omitted as being unnecessary.

### ***Section 230: No pre-arranged protection against risks***

844. This section is an anti-avoidance provision concerned with ensuring that the investor is subject to all usual investment risks and is not protected from their effect by insurance, indemnity, guarantee or other means. It is based on paragraph 13 of Schedule 16 to FA 2002.

## ***Chapter 3: General conditions***

### **Overview**

845. This Chapter contains various general conditions to be met by the investor. It is based on Part 4 of Schedule 16 to FA 2002.

### ***Section 231: No control of CDFI by investor***

846. This section provides that the investor does not qualify for CITR in relation to an investment if the investor or a person connected with the investor controls the CDFI at any time in the 5 year period. It is based on paragraph 14 of Schedule 16 to FA 2002.
847. The legal structure of a CDFI may take a number of forms. It may be a company or some other form of body corporate or it may be a partnership or some other form of unincorporated association. The different meanings of control needed to deal with the possible different forms of a CDFI’s constitution are set out in *subsections (3) to (6)*.

### ***Section 232: Investor must have beneficial ownership***

848. This section provides that the investor must be the sole beneficial owner of the investment. It is based on paragraph 15 of Schedule 16 to FA 2002. Trustees and joint investors are thus precluded from obtaining CITR. But see section 262 which enables investments to be made by a nominee or a bare trustee for a company.

***Section 233: Investor must not be accredited***

849. This section prevents a CDFI claiming CITR in respect of an investment in another CDFI. It is based on paragraph 16 of Schedule 16 to FA 2002.

***Section 234: No acquisition of share in partnership***

850. This section provides that an investor cannot obtain CITR for capital contributed to a CDFI which is a partnership, including loan capital accounted for as partners' capital. It is based on paragraph 17 of Schedule 16 to FA 2002.

***Section 235: No tax avoidance purpose***

851. This section denies CITR if the investment is part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax. It is based on paragraph 18 of Schedule 16 to FA 2002.

***Chapter 4: Limitations on claims and attribution***

**Overview**

852. This Chapter is based on Part 5 of Schedule 16 to FA 2002 other than paragraphs 20 and 21. Sections 220 and 222 in Chapter 1 are based on those two paragraphs.

***Section 236: Loans: no claim after disposal or excessive repayments or receipts of value***

853. This section prevents a claim being made for any accounting period in respect of an investment by way of loan in certain circumstances. It is based on paragraph 22 of Schedule 16 to FA 2002. This section links to the provisions in sections 243, 245 and 246 which provide for a tax reduction already given to be recaptured in similar circumstances.

***Section 237: Securities or shares: no claim after disposal or excessive receipts of value***

854. This section sets out two conditions to be met before a claim can be made for any accounting period in respect of a subscription for securities or shares. It is based on paragraph 23 of Schedule 16 to FA 2002.
855. The first condition (*subsection (1)*) is that the investor has not disposed of the securities or shares before the first anniversary of the investment date which occurs after the end of the accounting period.
856. The second condition (*subsection(2)*) is that the investor has not received or is not treated as having received value from the CDFI in excess of the limits allowed under section 247.

***Section 238: No claim after loss of accreditation by the CDFI***

857. This section provides that no claim may be made if the CDFI ceases to be accredited. It is based on paragraph 24 of Schedule 16 to FA 2002.
858. Depending on the investment date and the date upon which the CDFI ceased to be accredited, this section may prevent a claim being made for the accounting period before that in which the CDFI ceased to be accredited (see *subsections (2) to (4)*).
859. Subsections (2) to (4) unpack paragraph 24(2) of Schedule 16 to FA 2002 in order to make its various elements clearer.

***Section 239: Accreditation of investor***

860. This section provides that no claim may be made if the investor becomes accredited as a CDFI. It is based on paragraph 25 of Schedule 16 to FA 2002. This section has no equivalent in Part 7 of ITA as an individual cannot be a CDFI.
861. Depending on the investment date and the date upon which the investor becomes accredited, this section may prevent a claim being made for the accounting period before that in which it became accredited (see *subsections (2) to (4)*).
862. *Subsections (3) to (5)* unpack paragraph 25(2) of Schedule 16 to FA 2002 in the same way that section 238(2) to (4) unpack paragraph 24(2) of that Schedule.

***Section 240: Attribution: general***

863. This section sets out the general rules dealing with the attribution to the loan, securities or shares of the reduction in the investor's corporation tax liability for any accounting period made as a result of the investor's entitlement to CITR. It is based on paragraph 26(1) to (4), (7) and (8) of Schedule 16 to FA 2002.
864. Attribution is required for the purpose of determining the amount of the tax reduction which must be withdrawn or reduced in accordance with Chapter 5 of this Part.

***Section 241: Attribution: bonus shares***

865. This section sets out additional rules relating to attribution, to deal with the consequences of an issue of "corresponding bonus shares" (see *subsection (4)*) to the investor in respect of the original shares included in the investment. It is based on paragraph 26(5) and (6) of Schedule 16 to FA 2002.

***Chapter 5: Withdrawal or reduction of CITR***

**Overview**

866. This Chapter sets out the circumstances in which CITR attributable to an investment for any accounting period must be reduced to nil (withdrawn) or reduced proportionately. It is based on Part 6 of Schedule 16 to FA 2002.

***Section 242: Introduction to Chapter***

867. This section provides an overview of the Chapter and contains signposts to its principal provisions. Apart from *subsection (3)*, it is new.
868. *Subsection (3)* is based on paragraph 33 of Schedule 16 to FA 2002, with the substitution of the term "the 6 year period" for the term "the period of restriction" in that paragraph but without any change in the definition of the term. The 6 year period is relevant to sections 246 and 247 which deal with receipts of value. As an anti-avoidance measure, receipts of value in the year before the investment date are taken into account, as well as those in the 5 year period, which begins with the investment date. See the commentary on section 223 for the meaning of "the 5 year period" and "the investment date".

***Section 243: Disposal of loan during 5 year period***

869. This section provides that the CITR attributable to a loan must be withdrawn if, within the 5 year period, the investor disposes (otherwise than by receiving repayment) of part of the loan or, unless it is by way of a permitted disposal, of the whole of the loan. It is based on paragraph 28 of Schedule 16 to FA 2002.
870. A permitted disposal is defined in *subsection (2)*. If the disposal is a permitted disposal, any tax reduction already obtained is not withdrawn, but no further tax reduction may be claimed (see sections 220(6) and 236).

***Section 244: Disposal of securities or shares during 5 year period***

871. This section provides for the withdrawal or reduction of CITR attributable to securities or shares, if the investor disposes of the whole or part of the investment in the securities or shares (except upon repayment, redemption or repurchase by the CDFI) within the 5 year period and the CDFI is accredited at the time of the disposal. It is based on paragraph 29 of Schedule 16 to FA 2002.
872. *Subsections (2) and (3)* provide for different consequences depending upon whether the disposal is a qualifying disposal.
873. *Subsection (4)* defines what is a qualifying disposal. It is based on paragraph 29(4) of Schedule 16 to FA 2002 with the omission of the words “for full consideration” in paragraph(a). See *Change 11* in Annex 1.
874. There is inconsistency of language between paragraph 29(3) and (5) of Schedule 16 to FA 2002 which refer to CITR being attributable *for* an or any accounting period and paragraph 26(1)(b) of that Schedule (rewritten in section 240(1)) which defines references in that Schedule to “CITR attributable ... *in respect of* an accounting period”. This section removes this inconsistency by substituting “in respect of” in *subsections (3) and (5)*.
875. *Subsection (5)* provides for circumstances where 5% of the invested amount is greater than the corporation tax liability of the investor for the accounting period.

***Section 245: Repayment of loan capital during 5 year period***

876. This section provides for the circumstances in which the CITR attributable to a loan must be withdrawn as a consequence of a repayment other than a “non-standard” repayment (see *subsections (3) to (5)*). It is based on paragraph 30 of Schedule 16 to FA 2002.

***Section 246: Value received by investor during 6 year period: loans***

877. This section applies if the investment consists of a loan and the investor or a person connected with the investor receives any value, other than an amount of insignificant value (as defined in *subsection (5)*), from the CDFI or a person connected with the CDFI in the 6 year period. It is based on paragraph 31 of Schedule 16 to FA 2002.
878. *Subsection (2)* provides that, if value is so received, the invested amount (see section 222) is adjusted by the amount treated as repaid and the investor is treated as having received a repayment other than a non-standard repayment for the purposes of section 245(see *subsection (4)*).
879. In *subsection (5)* the words “of value” have been added after “means an amount”. This conforms the language of this subsection with that of sections 247(4), 248(4) and 252(4).

***Section 247: Value received by investor during 6 year period: securities or shares***

880. This section applies if the investment consists of securities or shares and the investor or a person connected with the investor receives any value, other than an amount of insignificant value (as defined in *subsection (4)*), from the CDFI or a person connected with the CDFI in the 6 year period. It is based on paragraph 32 of Schedule 16 to FA 2002.
881. *Subsection (2)* provides that, if value is so received and its amount wholly or partly exceeds the permitted level (see *subsection (3)*) by more than an amount of insignificant value, the CITR attributable to the investment must be withdrawn.

***Section 248: Receipts of insignificant value to be added together***

882. This section applies at a time when the investor receives value, if the investor has also received value earlier in the 6 year period and the total amount of the value received earlier was of insignificant value. It is based on paragraph 34 of Schedule 16 to FA 2002.
883. The amount of the receipt in question is to be added to the amounts of value previously received. If the total value of the amounts received is not an amount of insignificant value, the total value is treated as received at that time for the purposes of this Part, including in particular sections 245, 246 and 247.
884. *Subsection (8)* is new. It provides that this section is subject to section 251 which modifies the effect of this section and of sections 246, 247 and 252.
885. Sections 246(7) and 247(5) already provide that those sections are subject to section 251. Subsection (8) of this section and new subsection (5) of section 252 (see the commentary on that section) have been added to ensure consistency.

***Section 249: When value is received***

886. This section explains when value is received. It is based on paragraph 35 of Schedule 16 to FA 2002.
887. In *subsection (1)(d)(i)*, as in section 366(1)(d) of ITA, the singular “associate” is used in place of the plural “associates” in paragraph 35(1)(d)(i) of Schedule 16 to FA 2002. Similarly in *subsection (1)(d)(ii)* the singular “a director or employee” is used instead of the plural “directors or employees” in paragraph 35(1)(d)(ii) of that Schedule.

***Section 250: The amount of value received***

888. This section determines the respective values received in relation to the respective transactions listed in paragraphs (a) to (g) of section 249(1). It is based on paragraph 36 of Schedule 16 to FA 2002.
889. To give clarity, *subsection (1)* sets out the values against the paragraphs of section 249(1) in tabular form.
890. In a case falling within section 249(1)(d)(ii), the table permits the deduction of consideration which is given by a director or employee or an associate of a director or employee, in addition to consideration given by the investor or any associate of the investor. See *subsection (2)* and *Change 28* in Annex 1.

***Section 251: Value received if there is more than one investment***

891. This section provides that, if there is more than one investment, any value received is to be apportioned among the investments according to the respective amounts invested and sets out how those amounts are to be calculated. It is based on paragraph 37 of Schedule 16 to FA 2002.

***Section 252: Effect of receipt of value on future claims***

892. This section applies if an investor holding securities or shares receives value (other than an amount of insignificant value) but, because that value is less than the permitted level, the CITR attributable to those securities or shares is not withdrawn under section 247. It is based on paragraph 38 of Schedule 16 to FA 2002.
893. *Subsection (2)* reduces the amount invested (see section 222) in respect of which CITR may be claimed for the accounting periods specified in *subsection (3)*.
894. *Subsection (5)* is new. It provides that this section is subject to section 251 which modifies the effect of this section and of sections 246, 247 and 248.



895. Sections 246(7) and 247(5) already provide that those sections are subject to section 251. Subsection (5) of this section and new subsection (8) of section 248 (see the commentary on that section) have been added to ensure consistency.

***Section 253: Receipts of value by or from connected persons***

896. This section extends the meaning of “the investor” and “the CDFI” in sections 246 to 252. It is based on paragraph 39 of Schedule 16 to FA 2002.
897. The words “if the context permits” have been added in this section. These words, which do not appear in paragraph 39 of Schedule 16 to FA 2002, do not change the law. They make sections 246 to 252 clearer, by stating explicitly what is implicit in the source legislation.

***Section 254: CITR subsequently found not to have been due***

898. This section provides the basis for making an assessment under section 255 in cases where a claim for a tax reduction has been incorrectly allowed. It is based on paragraph 27 of Schedule 16 to FA 2002.

***Section 255: Manner of withdrawal or reduction of CITR***

899. This section authorises the making of assessments to recapture CITR attributable to an investment which has been withdrawn or reduced. It is based on paragraph 27 of Schedule 16 to FA 2002.
900. *Subsections (3) and (4)* are based on paragraph 27(5) and (6) of Schedule 16 to FA 2002 prospectively inserted by section 118 of, and paragraph 48 of Schedule 39 to, FA 2008 (time limits for assessments, claims etc) with effect from 1 April 2010 by virtue of the FA2008, Schedule 39 (Appointed Day, Transitional Provision and Savings) Order 2009 (SI 2009/403). The effect of these subsections is to preserve the right to make an assessment under this section not more than six years after the end of the accounting period for which the relief was obtained, when the normal time limit for the making of assessments under paragraph 46 of Schedule 18 to FA 1998 is reduced to four years by virtue of that Order bringing paragraph 42 of Schedule 39 to FA 2008 into force on 1 April 2010.

***Chapter 6: Supplementary and general***

**Overview**

901. This Chapter contains provisions relating to alternative finance arrangements, other miscellaneous provisions and definitions applicable to this Part.
902. [Sections 256 to 259](#) modify this Part to enable the range of permitted investments in, and by, CDFIs to include various Sharia’a-compliant financial products that in substance, but not in form, are equivalent to interest-bearing loans. Such products are to be treated as loans for the purposes of this Part.

***Section 256: Meaning of “loan” and “interest”***

903. This section extends the meaning of the term “loan” to include purchase and resale arrangements, deposit arrangements and profit share agency arrangements and the meaning of the term “interest” to include profit share return under those alternative finance arrangements. It is based on section 54A(1) and (2) of FA 2005.

***Section 257: Purchase and resale arrangements***

904. This section sets out how this Part has effect in relation to purchase and resale arrangements. It is based on section 54A(3) and (4) of FA 2005.

***Section 258: Deposit arrangements***

905. This section sets out how this Part has effect in relation to deposit arrangements. It is based on section 54A(5) of FA 2005.

***Section 259: Profit share agency arrangements***

906. This section sets out how this Part has effect in relation to profit share agency arrangements. It is based on section 54A(6) of FA 2005.

***Section 260: Information to be provided by the investor***

907. This section imposes obligations on the investor to notify an officer of Revenue and Customs of events giving rise to the withdrawal or reduction of any CITR attributable to a loan or any securities or shares. It is based on paragraph 42 of Schedule 16 to FA 2002.

908. There is inconsistency of language between paragraph 42(1)(b) of Schedule 16 to FA 2002 which refers to CITR being attributable *for any* accounting period and paragraph 26(1)(b) of that Schedule (rewritten in section 240(1)) which defines references in that Schedule to “CITR attributable ... *in respect of* an accounting period”. This section removes this inconsistency by substituting “in respect of” in *subsection (1) (b)*.

***Section 261: Disclosure***

909. This section authorises disclosure of information between HMRC and the Secretary of State for the purpose of discharging their respective functions under this Part. It is based on paragraph 43 of Schedule 16 to FA 2002.

***Section 262: Nominees***

910. This section allows for loans, securities or shares to be acquired, held and disposed of by nominees or bare trustees. It is based on paragraph 44 of Schedule 16 to FA 2002.

***Section 263: Application for postponement of tax pending appeal***

911. This section ensures that the investor cannot claim to postpone any payment of tax under section 55 of TMA on the grounds that the investor is eligible for CITR unless a claim has actually been made. It is based on paragraph 45 of Schedule 16 to FA 2002.

***Section 264: Identification of securities or shares on a disposal***

912. This section provides rules for the identification of the securities or shares disposed of for the purposes of this Part. It is based on paragraph 47 of Schedule 16 to FA 2002.

***Section 265: Meaning of “issue of securities or shares”***

913. This section provides definitions, in relation to a body, of an issue of securities or shares by that body and, in relation to a company, of an issue of securities or shares to that company. It is based on paragraph 46 of Schedule 16 to FA 2002.

***Section 266: Meaning of “disposal”***

914. This section defines “disposal”. It is based on paragraph 48 of Schedule 16 to FA 2002.

***Section 267: Construction of references to being “held continuously”***

915. This section explains what is meant by “held continuously”, for the purposes of those sections of this Part which require the investment to have been “held continuously” by the investor during a specified period (see for example sections 247 and 252). It is based on paragraph 49 of Schedule 16 to FA 2002.

**Section 268: Meaning of “associate”**

916. This section provides a definition of “associate”, which is relevant to sections 249 and 250. It is based on paragraph 50 of Schedule 16 to FA 2002.

**Section 269: Minor definitions etc**

917. This section explains various terms used in this Part. It is based on paragraph 51 of Schedule 16 to FA 2002.
918. With the exception of “body”, the terms defined in paragraph 51(1) of Schedule 16 to FA 2002 have been omitted, as they are either no longer required or are defined generally for the purposes of this Act.
919. A definition of “bonus shares” has been added in *subsection (1)*.
920. In *subsection (2)*, which determines when shares are to be treated as being of the same class, for the words “if dealt with on the Stock Exchange” in paragraph 51(2) of Schedule 16 to FA 2002 there are substituted the words:

“if they were—

- (a) included in the official UK list and
- (b) admitted to trading on the London Stock Exchange.”

See section 1005 of ITA as applied for corporation tax purposes by section 841 of ICTA for the meaning of “included in the official UK list”.

921. The words used in paragraph 51(2) of Schedule 16 to FA 2002 have been in wide use in tax legislation from a time when the London Stock Exchange only operated a single market. The reference to the Stock Exchange is accordingly to be taken as a reference to the requirements of the London Stock Exchange in relation to shares traded on the main market, rather than on AIM or any other platform. The substituted words are intended to preserve and clarify the meaning of the source legislation and do not change the law.
922. Paragraph 51(3) of Schedule 16 to FA 2002, which applies section 839 of ICTA (connected persons) for the purposes of that Schedule, has not been rewritten. Section 839 of ICTA is rewritten in section 1122 for the purposes of the Corporation Tax Acts and section 1176(1) applies that definition generally for the purposes of this Act.