



Corporation Tax Act 2010

2010 CHAPTER 4

PART 10

CLOSE COMPANIES

CHAPTER 2

BASIC DEFINITIONS

Companies which are not to be close companies

442 Particular types of company

A company is not to be treated as a close company if—

- (a) it is non-UK resident,
- (b) it is a [^{F1}registered society] , or
- (c) it is a building society.

Textual Amendments

F1 Words in Act substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014](#) (c. 14), [Sch. 4 para. 156](#) (with Sch. 5)

Modifications etc. (not altering text)

C1 S. 442(a) applied (with modifications) (9.12.2021) by [S.I. 2006/964, reg. 9A\(8H\)](#) (as inserted by [The Authorised Investment Funds \(Tax\) \(Amendment\) Regulations 2021](#) (S.I. 2021/1270), regs. 1, [3\(1\)](#))

443 Companies controlled by or on behalf of Crown

- (1) A company is not to be treated as a close company as a result of section 439(2) if it is controlled by or on behalf of the Crown.

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- (2) A company is “controlled by or on behalf of the Crown”, for the purposes of this section, if it is under the control of the Crown or of persons acting on behalf of the Crown, independently of any other person.
- (3) But a company is not controlled by or on behalf of the Crown, for the purposes of this section, if it is a close company as a result of being under the control of persons acting independently of the Crown.

444 Companies involved with non-close companies

- (1) A company is not to be treated as a close company if condition A or B is met.
- (2) Condition A is that the company—
 - (a) is controlled by one or more companies none of which is a close company, and
 - (b) cannot be treated as a close company except by taking, as one of the 5 or fewer participators requisite for its being so treated, a company which is not a close company.
- (3) Condition B is that the company—
 - (a) would not be a close company were it not for paragraph (a) of section 439(3) or paragraph (d) of section 450(3), and
 - (b) would not be a close company if the references in those paragraphs to participators did not include loan creditors which are companies other than close companies.
- (4) References in subsections (2) and (3) to a close company include a company which, if UK resident, would be a close company.

445 Section 444: registered pension schemes

- (1) If shares in a company (“C”) are held on trust for a registered pension scheme, the persons holding the shares are to be treated, for the purposes of section 444(2) and (3)—
 - (a) as the beneficial owners of the shares, and
 - (b) in that capacity, as a company which is not a close company.
- (2) But subsection (1) does not apply if the scheme is established wholly or mainly for the benefit of—
 - (a) directors, employees, past directors or past employees of a company within subsection (3), or
 - (b) dependants of an individual within paragraph (a).
- (3) The companies within this subsection are—
 - (a) C,
 - (b) an associated company of C,
 - (c) a company which is under the control of—
 - (i) a director of C,
 - (ii) an associate of a director of C, or
 - (iii) two or more persons each of whom is such a director or associate, and
 - (d) a close company.
- (4) For the meaning of—

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- (a) “associate”, see section 448, and
- (b) “associated company”, see section 449.

446 Particular types of quoted company

- (1) A company is not to be treated as a close company at a particular time if—
 - (a) shares in the company carrying at least 35% of the voting power in the company have been allotted unconditionally to, or acquired unconditionally by, and are at that time beneficially held by, the public, and
 - (b) any such shares have within the preceding 12 months been the subject of dealings on a recognised stock exchange, and the shares have within those 12 months been listed on such an exchange.
- (2) But subsection (1) does not apply to a company at any time when the total percentage of the voting power in the company possessed by all of the company's principal members exceeds 85%.
- (3) For the purposes of this section, a person is a principal member of a company if the person possesses a percentage of the voting power in the company of more than 5% (but see subsection (4)).
- (4) If there are more than 5 persons within subsection (3), a person is a principal member of the company only if—
 - (a) the person is one of the 5 persons who possess the greatest percentages, or
 - (b) in a case where there are no such 5 persons because two or more persons possess equal percentages of the voting power in the company, the person is one of the 6 or more persons (including those two or more who possess equal percentages) who possess the greatest percentages.
- (5) In determining for the purposes of this section the voting power which a person possesses, there is to be attributed to the person any voting power which would be attributed to the person if section 451(3) to (6) applied for the purposes of this section.
- (6) In this section “shares”—
 - (a) include stock, but
 - (b) do not include shares entitled to a fixed rate of dividend, whether with or without a further right to participate in profits.
- (7) See also section 447 (section 446: meaning of “shares held beneficially by the public” etc).

447 Section 446: meaning of “shares beneficially held by the public” etc

- (1) For the purposes of section 446, shares in a company (C) are beneficially held by the public if they are—
 - (a) beneficially held by a UK resident company which is not a close company, or by a non-UK resident company which would not be a close company if it were UK resident,
 - (b) held on trust for a registered pension scheme, or
 - (c) not comprised in a principal member's holding.
- (2) But shares are not beneficially held by the public if they are held—
 - (a) by a director of C,

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- (b) by an associate of such a director,
 - (c) by a company which is under the control of one or more persons each of whom is such a director or associate,
 - (d) by an associated company of C, or
 - (e) as part of a fund the capital or income of which is applicable or applied wholly or mainly for the benefit of any of individuals within subsection (3).
- (3) Those individuals are—
- (a) employees, directors, past employees or past directors of C or of any company within subsection (2)(c) or (d), and
 - (b) dependants of any individuals within paragraph (a).
- (4) The reference in section 446(1) to shares which have been allotted unconditionally to, or acquired unconditionally by, the public is to be read in accordance with subsections (1) to (3).
- (5) For the purposes of subsection (1), a principal member's holding consists of the shares which carry the voting power possessed by him.
- (6) The reference in subsection (2) to shares held by any person includes shares the rights or powers attached to which would be attributed to the person if section 451(3) applied for the purposes of that subsection.
- (7) Subsections (3) to (5) of section 446 (meaning of “principal member” and determination of voting power possessed) apply for the purposes of this section as they apply for the purposes of that section.
- (8) In this section, “shares” includes stock.

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