



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 14

#### CHANGE IN COMPANY OWNERSHIP

### CHAPTER 6

#### RECOVERY OF UNPAID CORPORATION TAX

*Recovery of unpaid corporation tax for accounting period ending on or after change*

#### **713 Recovery of unpaid corporation tax for accounting period ending on or after change**

- (1) This section applies if an officer of Revenue and Customs considers that—
  - (a) there has been a change in the ownership of a company (“Y”),
  - (b) any corporation tax has been assessed on Y or an associated company for an accounting period ending on or after the change,
  - (c) that tax remains unpaid at any time more than 6 months after it was assessed, and
  - (d) the condition in section 714 (the expectation condition) is met.
- (2) A person who is linked to Y may be assessed by the officer and charged to an amount of corporation tax which does not exceed the amount remaining unpaid.
- (3) A person assessed and charged under this section is to be assessed and charged in the name of the company (“T”) by which the tax remains unpaid.
- (4) An assessment under this section is not out of time if it is made within 3 years from the date of the final determination of the liability of T to corporation tax for the accounting period mentioned in subsection (1)(b).
- (5) For the meaning of “associated company”, see section 718.

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#### **714 The expectation condition**

- (1) The condition mentioned in section 713(1)(d) is that it would be reasonable (apart from section 713) to make the inference specified in subsection (3) from any of the matters specified in subsection (2).
- (2) Those matters are—
  - (a) the terms of any transactions entered into in connection with the change in the ownership of Y, and
  - (b) the other circumstances of the change and of any such transactions.
- (3) The inference is that at least one of the transactions mentioned in subsection (2) was entered into by one or more of its parties on the assumption that, if a potential tax liability were to arise, it would be unlikely to be met or to be met in full.
- (4) A “potential tax liability” is a liability to pay corporation tax which would or might arise—
  - (a) from an assessment, made after the change in ownership, on Y or an associated company (whether or not a particular associated company), and
  - (b) in foreseeable circumstances.
- (5) Circumstances are “foreseeable circumstances” if—
  - (a) the circumstances were reasonably foreseeable at the time of the change in ownership, or
  - (b) there was a reasonably foreseeable risk at that time that the circumstances might occur.
- (6) For the meaning of “transaction entered into in connection with change in ownership”, see section 715.

#### **715 Meaning of “transaction entered into in connection with change in ownership”**

- (1) This section has effect for the purposes of section 714.
- (2) A transaction is entered into in connection with a change in the ownership of Y if—
  - (a) it is the transaction, or one of the transactions, by which the change is effected, or
  - (b) it is entered into as part of a series of transactions, or scheme, of which transactions effecting the change have formed or will form part.
- (3) Any reference in this section to a scheme is to a scheme, arrangements or understanding of any kind.
- (4) It does not matter for the purposes of subsection (3)—
  - (a) whether the scheme, arrangements or understanding is legally enforceable, or
  - (b) how many transactions are involved.
- (5) It does not matter, for the purpose of determining whether any transactions have formed or will form part of a series of transactions or scheme, that the parties to each of the transactions are not the same.
- (6) The cases in which any two or more transactions are to be taken as forming part of a series of transactions or scheme include a case in which it would be reasonable to assume that one or more of them—

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- (a) would not have been entered into independently of the other or others, or
- (b) if entered into independently of the other or others, would not have taken the same form or been on the same terms.