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VALID FROM 01/04/2018

SCHEDULE 16

(as introduced by section 30(1))

GROUP RELIEF

PART 1

INTRODUCTORY

Overview

- (1) This Schedule makes provision about the relief available for certain transactions where the seller and the buyer are companies that are members of the same group.
 - (2) This Schedule is arranged as follows-

1

- (a) Part 2 describes the relief available and makes provision about the interpretation of this Schedule,
- (b) Part 3 restricts the availability of the relief,
- (c) Part 4 makes provision about the withdrawal of the relief, and
- (d) Part 5 makes provision about recovery of unpaid tax from certain persons.

PART 2

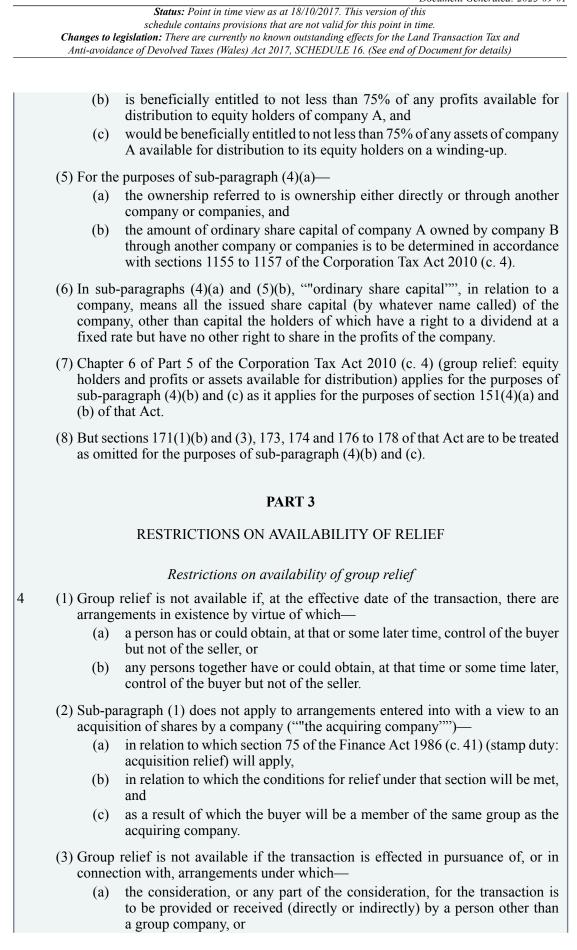
THE RELIEF

Group relief

- 2 (1) A land transaction is relieved from tax if the seller and the buyer are companies that are members of the same group at the effective date of the transaction.
 - (2) Relief under this paragraph is referred to in this Schedule as ""group relief"".
 - (3) This paragraph is subject to paragraph 4 (restrictions on availability of group relief) and paragraphs 8 and 12 (withdrawal of group relief).

Group relief: interpretation

- 3 (1) The following provisions apply for the purposes of group relief.
 - (2) "Company" means a body corporate.
 - (3) Companies are members of the same group if one is the 75% subsidiary of the other or both are 75% subsidiaries of a third company.
 - (4) A company (""company A"") is the 75% subsidiary of another company (""company B"") if company B—
 - (a) is beneficial owner of not less than 75% of the ordinary share capital of company A,



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(b) the seller and the buyer are to cease to be members of the same group by reason of the buyer ceasing to be a 75% subsidiary of the seller or a third company.

(4) Arrangements are within sub-paragraph (3)(a) if under them—

- (a) the seller or the buyer, or another group company, is to be enabled to provide any of the consideration, or is to part with any of it, by or in consequence of the carrying out of a transaction or transactions, and
- (b) the transaction or transactions, or any of them, involve a payment or other disposition by a person other than a group company.
- (5) In sub-paragraphs (3)(a) and (b), a ""group company"" means a company that at the effective date of the transaction is a member of the same group as the seller or the buyer.

(6) In this paragraph—

5

"arrangements" ("*trefniadau*") includes any scheme, agreement or understanding, whether or not legally enforceable;

"control" (""*rheolaeth*"") has the meaning given by section 1124 of the Corporation Tax Act 2010 (c. 4).

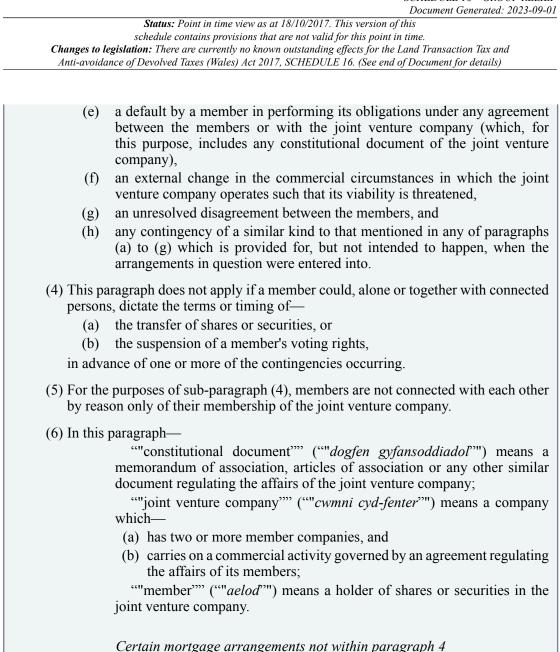
(7) This paragraph has effect subject to paragraphs 5 and 6 (certain arrangements not within paragraph 4).

Certain arrangements not within paragraph 4: joint venture companies

- (1) Arrangements entered into by a joint venture company which, apart from this paragraph, would be arrangements to which paragraph 4 applies are not to be treated as such arrangements if and so long as—
 - (a) the arrangements fall within sub-paragraph (2), and
 - (b) none of the contingencies mentioned in sub-paragraph (3) to which the arrangements relate has occurred.
 - (2) Arrangements fall within this sub-paragraph if they are-
 - (a) an agreement which provides for the transfer of shares or securities in the joint venture company to one or more members of that company on, or as a result of, one or more contingencies mentioned in sub-paragraph (3) occurring, or
 - (b) a provision in a constitutional document of the joint venture company which provides for the suspension of a member's voting rights on, or as a result of, one or more of those contingencies occurring.

(3) The contingencies referred to in sub-paragraphs (1)(b) and (2) are—

- (a) the voluntary departure of a member,
- (b) the commencement of the liquidation, administration, administrative receivership or receivership of, or the entering into of a voluntary arrangement by, a member under the Insolvency Act 1986 (c. 45) or the Insolvency (Northern Ireland) Order 1989 (S.I.1989/2405 (N.I.19)) or the commencement, or entering into, of equivalent proceedings or arrangements under the law of any country or territory outside the United Kingdom,
- (c) a serious deterioration in the financial condition of a member,
- (d) a change of control of a member,



- 6 (1) Arrangements entered into by a company which, apart from this paragraph, would be arrangements to which paragraph 4 applies are not to be treated as such arrangements if and so long as—
 - (a) the arrangements are a mortgage, secured by way of shares or securities in the company, which on default or the happening of any other event allows the mortgagee to exercise its rights against the mortgagor, and
 - (b) the mortgagee has not exercised its rights against the mortgagor.
 - (2) This paragraph does not apply if the mortgagee—
 - (a) possesses greater rights in respect of the shares or securities which are the subject of the mortgage than it requires to protect its interest as mortgagee, or
 - (b) could alone or together with connected persons dictate the terms or timing of the default or the happening of any event which allows it to exercise its rights against the mortgagor.

- (3) For the purposes of sub-paragraph (2)(b), a mortgagee is not, by reason only of the mortgage, connected with a company whose shares or securities are the subject of the mortgage.
- (4) In this paragraph, ""mortgage"" means—

7

- (a) in England and Wales, and Northern Ireland, any legal or equitable charge, and
- (b) in Scotland, any right in security.

PART 4

WITHDRAWAL OF RELIEF

Interpretation: relieved transaction

In this Part of this Schedule, a transaction that is relieved from tax by virtue of paragraph 2 (group relief) is referred to as a ""relieved transaction"".

Withdrawal of group relief

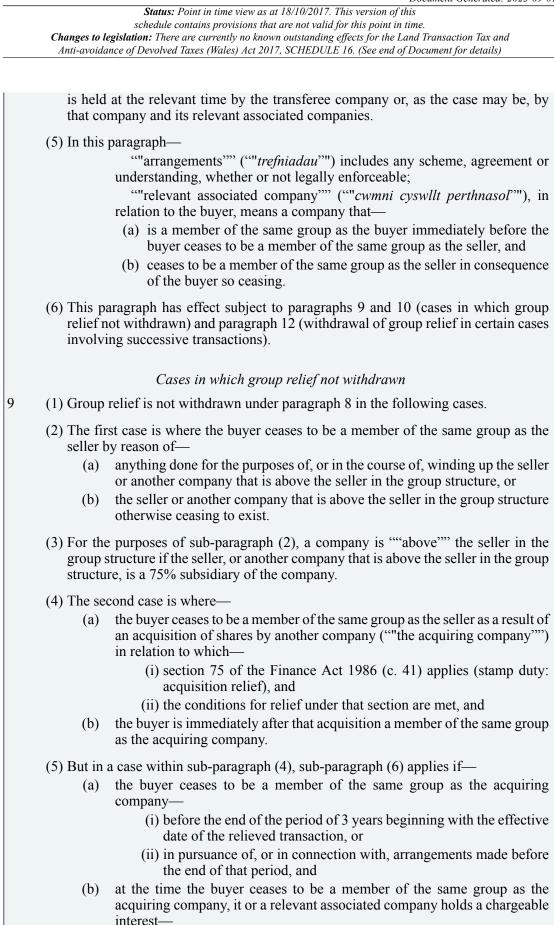
- 8 (1) Where sub-paragraph (2) applies, group relief in relation to a relieved transaction, or an appropriate proportion of it, is withdrawn and tax is chargeable in accordance with this paragraph.
 - (2) This sub-paragraph applies where, in the case of a relieved transaction—
 - (a) the buyer ceases to be a member of the same group as the seller—
 - (i) before the end of the period of 3 years beginning with the effective date of the transaction, or
 - (ii) in pursuance of, or in connection with, arrangements made before the end of that period, and
 - (b) at the time the buyer ceases to be a member of the same group as the seller (""the relevant time""), it or a relevant associated company holds a chargeable interest—
 - (i) that was acquired by the buyer in the relieved transaction, or
 - (ii) that is derived from an interest so acquired,

and that has not subsequently been acquired at market value under a chargeable transaction for which group relief was available but was not claimed.

- (3) The amount chargeable is the tax that would have been chargeable in respect of the relieved transaction but for group relief if the chargeable consideration for that transaction had been an amount equal to—
 - (a) the market value of the subject-matter of the transaction, and
 - (b) if the acquisition was the grant of a lease at a rent, that rent,

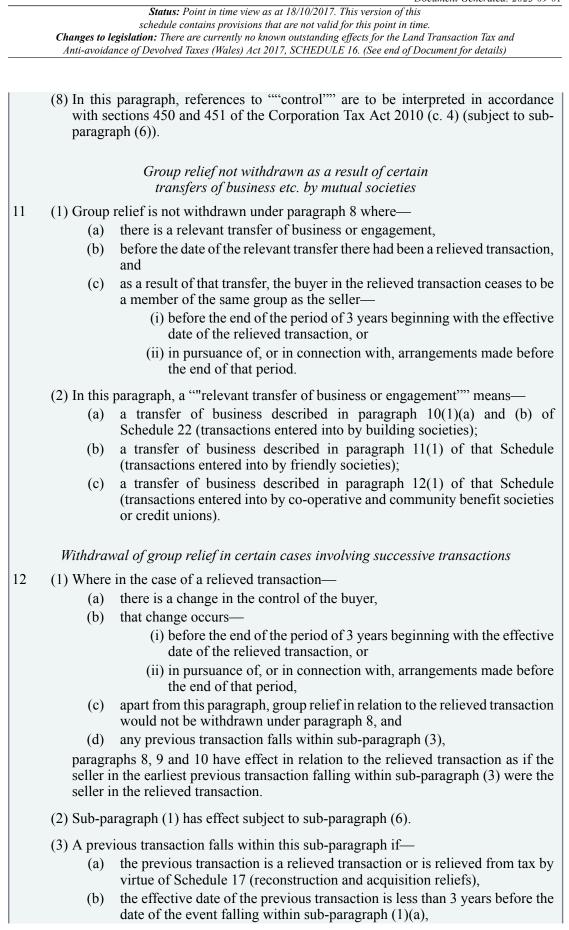
or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.

(4) In sub-paragraphs (1) and (3), ""an appropriate proportion"" means an appropriate proportion having regard to the subject-matter of the relieved transaction and what



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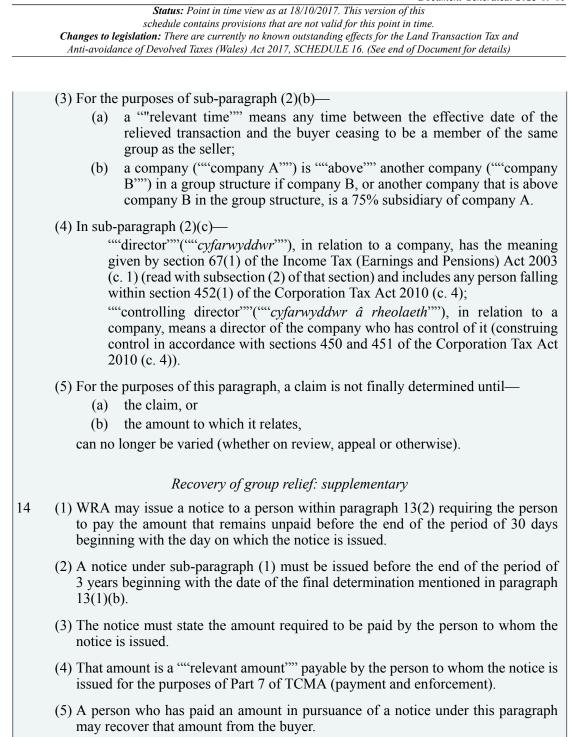
	(i) that was acquired by the buyer in the relieved transaction, or(ii) that is derived from an interest so acquired,
	and that has not subsequently been acquired at market value under a chargeable transaction for which group relief was available but was not claimed.
	(6) The provisions of this Schedule apply as if the buyer had then ceased to be a member of the same group as the seller.
	 (7) In sub-paragraph (5)— "arrangements"" ("<i>trefniadau</i>"") includes any scheme, agreement of understanding, whether or not legally enforceable;
	""relevant associated company"" ("" <i>cwmni cyswllt perthnasol</i> ""), ir relation to the buyer, means a company that is a member of the same group as the buyer that ceases to be a member of the same group as the acquiring company in consequence of the buyer so ceasing.
	Group relief not withdrawn where seller leaves group
10	(1) Group relief is not withdrawn under paragraph 8 where the buyer ceases to be a member of the same group as the seller because the seller leaves the group.
	 (2) The seller is regarded as leaving the group if the companies cease to be members of the same group by reason of a transaction relating to shares in— (a) the seller, or (b) another company that—
	 (i) is above the seller in the group structure, and (ii) as a result of the transaction ceases to be a member of the same group as the buyer.
	(3) For the purpose of sub-paragraph (2), a company is ""above" the seller in the group structure if the seller, or another company that is above the seller in the group structure, is a 75% subsidiary of the company.
	(4) But if there is a change in the control of the buyer after the seller leaves the group paragraphs 8, 9(4) and (6), 13 and 14 have effect as if the buyer had then ceased to be a member of the same group as the seller (but see sub-paragraph (7)).
	 (5) For the purposes of this paragraph, there is a change in the control of the buyer if— (a) a person who controls the buyer (alone or with others) ceases to do so, (b) a person obtains control of the buyer (alone or with others), or (c) the buyer is wound up.
	(6) For the purposes of sub-paragraph (5), a person (""P"") does not control, or obtain control of, the buyer if P is under the control of another person or other persons.
	 (7) Sub-paragraph (4) does not apply where— (a) there is a change in the control of the buyer because a loan creditor (within the meaning given by section 453 of the Corporation Tax Act 2010 (c. 4)) obtains control of, or ceases to control, the buyer, and
	(b) the other persons who controlled the buyer before that change continue to do so.



13

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- the chargeable interest acquired under the relieved transaction by the buyer (c) in that transaction is the same as, comprises, forms part of, or is derived from, the chargeable interest acquired under the previous transaction by the buyer in the previous transaction, and since the previous transaction, the chargeable interest acquired under that (d) transaction has not been acquired by any person in a transaction that is not a relieved transaction nor is relieved from tax by virtue of Schedule 17 (reconstruction and acquisition reliefs). (4) For the purposes of this paragraph, there is a change in the control of a company if any person who controls the company (alone or with others) ceases to do so, (a) a person obtains control of the company (alone or with others), or (b) (c) the company is wound up. (5) References to ""control" in this paragraph are to be construed in accordance with sections 450 and 451 of the Corporation Tax Act 2010 (c. 4). (6) Sub-paragraph (1) does not apply where there is a change in the control of the buyer because a loan creditor (within (a) the meaning given by section 453 of the Corporation Tax Act 2010 (c. 4)) obtains control of, or ceases to control, the buyer, and (b) the other persons who controlled the buyer before that change continue to do so. (7) If two or more transactions effected at the same time are the earliest previous transactions falling within sub-paragraph (3), the reference in sub-paragraph (1) to the seller in the earliest previous transaction is a reference to the persons who are the sellers in the earliest previous transactions. (8) In this paragraph, ""arrangements"" includes any scheme, agreement or understanding, whether or not legally enforceable. PART 5 **RECOVERY OF RELIEF FROM CERTAIN PERSONS** *Recovery of group relief from another group company or controlling director* (1) This paragraph applies where tax is chargeable under paragraph 8 (withdrawal of group relief), (a) the amount so chargeable has been finally determined, and (b) (c) the whole or part of the amount so chargeable is unpaid 6 months after the date on which it became payable. (2) The following persons may, by notice under paragraph 14, be required to pay the unpaid tax (together with any interest payable)the seller; (a) any company that at any relevant time was a member of the same group as (b) the buyer and was above it in the group structure;
 - (c) any person who at any relevant time was a controlling director of the buyer or a company having control of the buyer.



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