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SCHEDULES.

SCHEDULE 18

SUPPLEMENTARY PROVISIONS ABOUT CLOSE COMPANIES.

PART I

INTERPRETATION GENERALLY.

"Close company" and "associated company".

- 1 (1) For purposes of Part IV a "close company" is one which is under the control of five or fewer participators or of participators who are directors, except that the expression does not apply—
- (a) to a company not resident in the United Kingdom; or
 - (b) to a registered industrial and provident society within the meaning of section 442 of the Income Tax Act 1952, or to a building society within the meaning of section 445 of that Act or any other company to which section 445 applies; or
 - (c) to a company controlled by or on behalf of the Crown, and not otherwise a close company; or
 - (d) to a company falling within sub-paragraph (4) below.
- (2) Subject to sub-paragraph (4) below, a company resident in the United Kingdom (but not falling within sub-paragraph (1)(b) above) is also a close company if, on the assumption that it is so or on the assumption that it and any other such company or companies are so, more than half of any amount falling under Part IV of this Act to be apportioned for purposes of surtax in the case of the company could be apportioned among five or fewer participators or among participators who are directors.
- (3) A company is not to be treated as being at any time a close company if shares in the company carrying not less than thirty-five per cent. of the voting power in the company (and not being shares entitled to a fixed rate of dividend, whether with or without a further right to participate in profits) have been allotted unconditionally to, or acquired unconditionally by, and are at that time beneficially held by, the public, and any such shares have within the preceding twelve months been the subject of dealings on a recognised stock exchange, and the shares have within those twelve months been quoted in the official list of a recognised stock exchange; but for this purpose shares shall not be deemed to be allotted to, or acquired or held by, the public if they are allotted to, or acquired or held by—
- (a) any director or associate of a director of the company; or
 - (b) any company which is under the control of any such director or associate or of two or more persons each of whom is such a director or associate; or
 - (c) any associated company of the company.

In this sub-paragraph "share" includes "stock".

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- (4) A company is not to be treated as a close company in any case where—
- (a) by reason of beneficial ownership of shares in the company the control of it is in the hands of a company which is not a close company or of two or more companies none of which is a close company; and
 - (b) it could only be treated as a close company as being under the control of five or fewer participators, and it cannot be so treated except by taking as one of the participators a company which is not a close company;
- but so that references in this sub-paragraph to a close company shall be construed as applying to any company which, if resident in the United Kingdom, would be a close company.
- (5) For the purposes of this paragraph a company is to be treated as controlled by or on behalf of the Crown if, but only if, it is under the control of the Crown or of persons acting on behalf of the Crown, independently of any other person ; and where a company is so controlled, it shall not be treated as being otherwise a close company, unless it can be treated as a close company as being under the control of persons acting independently of the Crown.
- 2 For purposes of the provisions of this Act relating to close companies, a company is to be treated as another's " associated company " at a given time if at that time, or at any time within one year previously, one of the two has control of the other or both are under the control of the same person or persons.