



Finance Act 1981

1981 CHAPTER 35

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

RELIEF FOR INVESTMENT IN NEW CORPORATE TRADES

65 Application to subsidiaries

- (1) A qualifying company may in the relevant period have one or more subsidiaries if—
 - (a) the conditions in subsection (2) below are satisfied in respect of the subsidiary or each subsidiary and, except as provided in subsection (3) below, continue to be so satisfied until the end of the relevant period ; and
 - (b) the subsidiary or each subsidiary was incorporated in the United Kingdom, did not commence business before the qualifying company did so and complies with the requirements of section 55(2) to (6) above.
- (2) The conditions referred to in subsection (1)(a) above are—
 - (a) that the qualifying company possesses all the issued share capital of, and all the voting power in, the subsidiary; and
 - (b) that no other person has control of the subsidiary within the meaning of section 534 of the Taxes Act; and
 - (c) that no arrangements are in existence by virtue of which the conditions in paragraphs (a) and (b) above could cease to be satisfied.
- (3) The conditions referred to in subsection (1)(a) above shall not be regarded as ceasing to be satisfied by reason only of the subsidiary or the qualifying company being wound up or dissolved without winding up if—
 - (a) it is shown that the winding up or dissolution is for bona fide commercial reasons and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax ; and

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- (b) the net assets, if any, of the subsidiary or, as the case may be, the qualifying company are distributed to its members or dealt with as bona vacantia before the end of the relevant period, or in the case of a winding up, the end (if later) of three years from the commencement of the winding up.
- (4) Where a qualifying company has one or more subsidiaries in the relevant period the foregoing provisions of this Chapter shall have effect subject to Schedule 12 to this Act.