



# Capital Transfer Tax Act 1984

## 1984 CHAPTER 51

### PART IV

#### CLOSE COMPANIES

##### *Transfers by close companies*

#### 94 Charge on participators

- (1) Subject to the following provisions of this Part of this Act, where a close company makes a transfer of value, tax shall be charged as if each individual to whom an amount is apportioned under this section had made a transfer of value of such amount as after deduction of tax (if any) would be equal to the amount so apportioned, less the amount (if any) by which the value of his estate is more than it would be but for the company's transfer; but for this purpose his estate shall be treated as not including any rights or interests in the company.
- (2) For the purposes of subsection (1) above the value transferred by the company's transfer of value shall be apportioned among the participators according to their respective rights and interests in the company immediately before the transfer, and any amount so apportioned to a close company shall be further apportioned among its participators, and so on ; but—
  - (a) so much of that value as is attributable to any payment or transfer of assets to any person which falls to be taken into account in computing that person's profits or gains or losses for the purposes of income tax or corporation tax (or would fall to be so taken into account but for section 239 of the Taxes Act) shall not be apportioned, and
  - (b) if any amount which would otherwise be apportioned to an individual who is domiciled outside the United Kingdom is attributable to the value of any property outside the United Kingdom, that amount shall not be apportioned.
- (3) In determining for the purposes of this section whether a disposition made by a close company is a transfer of value or what value is transferred by such a transfer no account shall be taken of the surrender by the company, in pursuance of section 258 of the

Taxes Act or of section 92 of the Finance Act 1972, of any relief or of the benefit of any amount of advance corporation tax paid by it.

- (4) Where the amount apportioned to a person under this section is 5 per cent. or less of the value transferred by the company's transfer of value then, notwithstanding section 3(4) above, tax chargeable under subsection (1) above shall be left out of account in determining, with respect to any time after the company's transfer, what previous transfers of value he has made.
- (5) References in section 19 above to transfers of value made by a transferor and to the values transferred by them (calculated as there mentioned) shall be treated as including references to apportionments made to a person under this section and to the amounts for the tax on which (if charged) he would be liable.

## **95 Participator in two companies**

(1) Where—

- (a) the value of the estate of a company (" the transferee company ") is increased as the result of a transfer of value made by a close company (" the transferor company "), and
- (b) an individual to whom part of the value transferred is apportioned under section 94 above has an interest in the transferee company (or in a company which is a participator of the transferee company or any of its participators, and so on),

subsection (2) below shall apply to the computation, for the purposes of section 94 above, of the amount to be offset, that is to say, the amount by which the value of his estate is more than it would be but for the transfer.

(2) Where this subsection applies—

- (a) the increase in the value of the transferee company's estate shall be taken to be such part of the value transferred as accounts for the increase, and
- (b) the increase so computed shall be apportioned among the transferee company's participators according to their respective rights and interests in the company immediately before the transfer (and, where necessary, further apportioned among their participators, and so on),

and the amount so apportioned to the individual shall be taken to be the amount to be offset.

## **96 Preference shares disregarded**

Where part of a close company's share capital consists of preference shares (within the meaning of section 234(3) of the Taxes Act) and a transfer of value made by that or any other close company has only a small effect on the value of those shares, compared with its effect on the value of other parts of the company's share capital, the preference shares shall be left out of account in determining the respective rights and interests of the participators for the purposes of sections 94 and 95 above.

## **97 Transfers within group, etc.**

- (1) Where a close company (" the transferor company ") is a member, but not the principal member, of a group and—

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*Status: This is the original version (as it was originally enacted).*

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- (a) a disposal by the transferor company of any asset is a disposal to which section 273(1) of the Taxes Act applies and is also a transfer of value, and
- (b) the transfer of value has only a small effect on the value of the minority participators' rights and interests in that company compared with its effect on the value of the other participators' rights and interests in the company,

the rights and interests of the minority participators shall be left out of account in determining the respective rights and interests of the transferor company's participators for the purpose of apportioning the value transferred under section 94 above.

(2) For the purposes of subsection (1) above—

- (a) the principal member of a group is the member of which all the other members are 75 per cent. subsidiaries, and
- (b) a minority participator is a participator of the transferor company who is not, and is not a person connected with, a participator of the principal member of the group or of any of the principal member's participators ;

and in this section " group " and " 75 per cent. subsidiary " have the same meanings as in section 272 of the Taxes Act.