

SCHEDULES

SCHEDULE 6

RETIREMENT RELIEF ETC.

PART II

THE OPERATION OF THE RELIEF

Gains qualifying for relief

- 6 Subject to paragraphs 9 and 10 below, in the case of any qualifying disposal other than one of shares or securities of a company, the gains accruing to the individual or, in the case of a trustees' disposal, the trustees on the disposal of chargeable business assets comprised in the qualifying disposal shall be aggregated, and only so much of that aggregate as exceeds the amount available for relief shall be chargeable gains (but not so as to affect liability in respect of gains accruing on the disposal of assets other than chargeable business assets).
- 7 (1) Subject to paragraphs 9 to 11 below, in the case of a qualifying disposal of shares or securities of a trading company which is not a holding company,—
- (a) the gains which on the disposal accrue to the individual or, as the case may be, the trustees shall be aggregated, and
 - (b) of the appropriate proportion of the aggregated gains, only so much as exceeds the amount available for relief shall constitute chargeable gains (but not so as to affect liability in respect of gains representing the balance of the aggregated gains).
- (2) For the purposes of sub-paragraph (1)(b) above, “the appropriate proportion” is that which that part of the value of the company’s chargeable assets immediately before the end of the qualifying period which is attributable to the value of the company’s chargeable business assets bears to the whole of that value, but, in the case of a company which has no chargeable assets, “the appropriate proportion” is the whole.
- (3) For the purposes of this paragraph, every asset is a chargeable asset except one, on the disposal of which by the company immediately before the end of the qualifying period, no gain accruing to the company would be a chargeable gain.
- 8 (1) Subject to paragraphs 9 to 11 below, in the case of a qualifying disposal of shares or securities of a holding company—
- (a) the gains which on the disposal accrue to the individual or, as the case may be, the trustees shall be aggregated, and
 - (b) of the appropriate proportion of the aggregated gains, only so much as exceeds the amount available for relief shall constitute chargeable gains (but not so as to affect liability in respect of gains representing the balance of the aggregated gains).

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- (2) For the purposes of sub-paragraph (1)(b) above, “the appropriate proportion” is that which that part of the value of the trading group’s chargeable assets immediately before the end of the qualifying period which is attributable to the value of the trading group’s chargeable business assets bears to the whole of that value; but, in the case of a trading group which has no chargeable assets, “the appropriate proportion” is the whole.
- (3) For the purposes of sub-paragraph (2) above—
- (a) any reference to the trading group’s chargeable assets or chargeable business assets is a reference to the chargeable assets or, as the case may be, chargeable business assets of every member of the trading group; and
 - (b) subject to paragraph (c) below, every asset is a chargeable asset except one, on the disposal of which by the member of the group concerned immediately before the end of the qualifying period no gain accruing to that member would be a chargeable gain; and
 - (c) a holding by one member of the trading group of the ordinary share capital of another member of the group is not a chargeable asset.
- (4) Where the whole of the ordinary share capital of a 51 per cent. subsidiary of the holding company is not owned directly or indirectly by that company, then, for the purposes of sub-paragraph (2) above, the value of the chargeable assets and chargeable business assets of that subsidiary shall be taken to be reduced by multiplying it by a fraction of which the denominator is the whole of the ordinary share capital of the subsidiary and the numerator is the amount of that share capital owned, directly or indirectly, by the holding company.
- (5) Expressions used in sub-paragraph (4) above have the same meaning as in section 838 of the Taxes Act (subsidiaries).
- 9 (1) If, in the case of a trustees’ disposal, there is, in addition to the qualifying beneficiary, at least one other beneficiary who, at the end of the qualifying period, has an interest in possession in the whole of the settled property or, as the case may be, in a part of it which consists of or includes the shares, securities or asset which is the subject matter of the disposal, only the relevant proportion of the gain which accrues to the trustees on the disposal shall be brought into account under paragraph 6, paragraph 7 or paragraph 8 above (as the case may require) and the balance of the gain shall, accordingly, be a chargeable gain.
- (2) For the purposes of sub-paragraph (1) above, the relevant proportion is that which, at the end of the qualifying period, the qualifying beneficiary’s interest in the income of the part of the settled property comprising the shares, securities or asset in question bears to the interests in that income of all the beneficiaries (including the qualifying beneficiary) who then have interests in possession in that part.
- (3) The reference in sub-paragraph (2) above to the qualifying beneficiary’s interest is a reference to the interest by virtue of which he is the qualifying beneficiary and not to any other interest he may hold.
- 10 (1) If, in the case of an associated disposal—
- (a) the asset in question was in use for the purposes of a business as mentioned in section 164(7)(c) for only part of the period in which it was in the ownership of the individual making the disposal, or
 - (b) for any part of the period in which the asset in question was in use for the purposes of a business as mentioned in section 164(7)(c), the individual

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making the disposal was not concerned in the carrying on of that business (whether personally, as a member of a partnership or as a full-time working director of any such company as is referred to in section 163(3)(b)), or

- (c) for the whole or any part of the period in which the asset in question was in use for the purposes of a business as mentioned in section 164(7)(c), its availability for that use was dependent upon the payment of rent,

only such part of the gain which accrues on the disposal as appears to the Board to be just and reasonable shall be brought into account under paragraph 6, paragraph 7 or paragraph 8 above (as the case may require) and the balance of the gain shall, accordingly, be a chargeable gain.

- (2) In determining how much of a gain it is just and reasonable to bring into account as mentioned in sub-paragraph (1) above, the Board shall have regard to the length of the period the asset was in use as mentioned in that sub-paragraph and the extent to which any rent paid was less than the amount which would have been payable in the open market for the use of the asset.
- (3) In sub-paragraphs (1) and (2) above “rent” includes any form of consideration given for the use of the asset.
- 11 (1) This paragraph applies where—
- (a) there is a material disposal of business assets or a trustees' disposal which (in either case) consists of a disposal which the individual or trustees is or are treated as making by virtue of section 122 in consideration of a capital distribution; and
- (b) the capital distribution consists wholly of chargeable business assets of the company or partly of such assets and partly of money or money's worth.
- (2) Where the capital distribution consists wholly of chargeable business assets, no relief shall be given under this Schedule in respect of the gains accruing on the disposal.
- (3) Where the capital distribution consists only partly of chargeable business assets, the gains accruing on the disposal (aggregated as mentioned in paragraph 7(1)(a) or paragraph 8(1)(a) above) shall be reduced for the purposes of this Schedule by multiplying them by the fraction—
- $$\frac{A}{B}$$
- where—
- A is the part of the capital distribution which does not consist of chargeable business assets; and
- B is the entire capital distribution;
- and it shall be to that reduced amount of aggregated gains that, in accordance with sub-paragraph (1)(b) of paragraph 7 or, as the case may be, paragraph 8 above, the appropriate proportion determined under sub-paragraph (2) of that paragraph shall be applied.
- (4) Any question whether or to what extent a capital distribution consists of chargeable business assets shall be determined by reference to the status of the assets immediately before the end of the qualifying period.
- 12 (1) Subject to paragraphs 9 to 11 above, in arriving at the aggregate gains under any of paragraphs 6, 7(1) and 8(1) above—

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- (a) the respective amounts of the gains shall be computed in accordance with the provisions of this Act fixing the amount of chargeable gains, and
- (b) any allowable loss which accrues on the qualifying disposal concerned shall be deducted,

and the provisions of this Schedule shall not affect the computation of the amount of any allowable loss.

- (2) Subject to the following provisions of this paragraph, in paragraphs 6 to 11 above, “chargeable business asset” means an asset (including goodwill but not including shares or securities or other assets held as investments) which is, or is an interest in, an asset used for the purposes of a trade, profession, vocation, office or employment carried on by—
 - (a) the individual concerned; or
 - (b) that individual’s family company; or
 - (c) a member of a trading group of which the holding company is that individual’s family company; or
 - (d) a partnership of which the individual concerned is a member.
- (3) An asset is not a chargeable business asset if, on the disposal of it, no gain which might accrue would be a chargeable gain.
- (4) In relation to a trustees’ disposal, references in sub-paragraph (2) above to the individual shall be construed as references to the beneficiary concerned.
- (5) Sub-paragraph (6) below applies if—
 - (a) a qualifying disposal falling within paragraph 7 or paragraph 8 above is a disposal which the individual or trustees concerned is or are treated as making by virtue of section 122 in consideration of a capital distribution; and
 - (b) not later than 2 years after the end of the year of assessment in which the individual or the trustees received the capital distribution, the individual or trustees by notice to the inspector elects or elect that that sub-paragraph should apply.
- (6) If, in a case where this sub-paragraph applies in relation to a qualifying disposal, any part of the assets of the company concerned consists, as at the end of the qualifying period, of the proceeds of the sale of an asset sold not more than 6 months before the end of that period, then, sub-paragraph (2) above and paragraph 7 or, as the case may be, paragraph 8 above shall have effect as if, at that time—
 - (a) the asset remained the property of the company and was in use for the purposes for which it was used before its sale; and
 - (b) the proceeds of sale of the asset did not form part of the assets of the company.