



Corporation Tax Act 2010

2010 CHAPTER 4

PART 10

CLOSE COMPANIES

CHAPTER 2

BASIC DEFINITIONS

Meaning of “close company”: general

439 “Close company”

- (1) For the purposes of the Corporation Tax Acts, a “close company” is a company in relation to which condition A or B is met.
- (2) Condition A is that the company is under the control—
 - (a) of 5 or fewer participators, or
 - (b) of participators who are directors.
- (3) Condition B is that 5 or fewer participators, or participators who are directors, together possess or are entitled to acquire—
 - (a) such rights as would, in the event of the winding up of the company (“the relevant company”) on the basis set out in section 440, entitle them to receive the greater part of the assets of the relevant company which would then be available for distribution among the participators, or
 - (b) such rights as would, in that event, so entitle them if there were disregarded any rights which any of them or any other person has as a loan creditor (in relation to the relevant company or any other company).
- (4) For exceptions to this section, see sections 442 to 447 (companies which are not to be close companies).

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross Heading: Meaning of “close company”: general. (See end of Document for details)

- (5) Section 451 (section 450: rights to be attributed etc) applies for the purposes of subsection (3) and section 440 as it applies for the purposes of section 450.
- (6) See also section 441 (treatment of some persons as participators or directors for the purposes of subsection (3)).
- (7) For the meaning of—
 - (a) “control”, see sections 450 and 451,
 - (b) “director”, see section 452, and
 - (c) “loan creditor”, see section 453.

440 Basis of winding up under section 439(3)

- (1) This section applies for the purposes of section 439(3).
- (2) In the notional winding up of the relevant company, the part of the assets available for distribution among the participators which any person is entitled to receive is the aggregate of—
 - (a) any part of those assets which the person would be entitled to receive in the event of the winding up of the relevant company, and
 - (b) any part of those assets which the person would be entitled to receive if—
 - (i) any other company which is a participator in the relevant company and is entitled to receive any assets in the notional winding up were also wound up on the basis set out in this section, and
 - (ii) the part of the assets of the relevant company to which the other company is entitled were distributed among the participators in the other company in proportion to their respective entitlement to the assets of the other company available for distribution among the participators.
- (3) In the application of subsection (2)—
 - (a) to the notional winding up of the other company mentioned in paragraph (b) of that subsection, and
 - (b) to any further notional winding up required by that paragraph (or by any further application of that paragraph),
 references to “the relevant company” are to be read as references to the company concerned.

441 Treatment of some persons as participators or directors for the purposes of section 439(3)

- (1) The following provisions apply for the purpose of determining whether under subsection (3) of section 439 five or fewer participators, or participators who are directors, together possess or are entitled to acquire rights such as are mentioned in paragraph (a) or (b) of that subsection.
- (2) A person is to be treated as a participator in or director of the relevant company if the person is a participator in or director of any other company which would be entitled to receive assets in the notional winding up of the relevant company on the basis set out in section 440.

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- (3) No account is to be taken of a participator which is a company unless the company possesses or is entitled to acquire the rights in a fiduciary or representative capacity.
- (4) But subsection (3) does not apply for the purposes of section 440.

Changes to legislation:

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