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SCHEDULE 16

GROUP RELIEF

PART 3

RESTRICTIONS ON AVAILABILITY OF RELIEF

Certain arrangements not within paragraph 4: joint venture companies

- 5 (1) Arrangements entered into by a joint venture company which, apart from this paragraph, would be arrangements to which paragraph 4 applies are not to be treated as such arrangements if and so long as—
- (a) the arrangements fall within sub-paragraph (2), and
 - (b) none of the contingencies mentioned in sub-paragraph (3) to which the arrangements relate has occurred.
- (2) Arrangements fall within this sub-paragraph if they are—
- (a) an agreement which provides for the transfer of shares or securities in the joint venture company to one or more members of that company on, or as a result of, one or more contingencies mentioned in sub-paragraph (3) occurring, or
 - (b) a provision in a constitutional document of the joint venture company which provides for the suspension of a member's voting rights on, or as a result of, one or more of those contingencies occurring.
- (3) The contingencies referred to in sub-paragraphs (1)(b) and (2) are—
- (a) the voluntary departure of a member,
 - (b) the commencement of the liquidation, administration, administrative receivership or receivership of, or the entering into of a voluntary arrangement by, a member under the [Insolvency Act 1986 \(c. 45\)](#) or the [Insolvency \(Northern Ireland\) Order 1989 \(S.I.1989/2405 \(N.I.19\)\)](#) or the commencement, or entering into, of equivalent proceedings or arrangements under the law of any country or territory outside the United Kingdom,
 - (c) a serious deterioration in the financial condition of a member,
 - (d) a change of control of a member,
 - (e) a default by a member in performing its obligations under any agreement between the members or with the joint venture company (which, for this purpose, includes any constitutional document of the joint venture company),
 - (f) an external change in the commercial circumstances in which the joint venture company operates such that its viability is threatened,
 - (g) an unresolved disagreement between the members, and
 - (h) any contingency of a similar kind to that mentioned in any of paragraphs (a) to (g) which is provided for, but not intended to happen, when the arrangements in question were entered into.
- (4) This paragraph does not apply if a member could, alone or together with connected persons, dictate the terms or timing of—
- (a) the transfer of shares or securities, or

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- (b) the suspension of a member’s voting rights,
in advance of one or more of the contingencies occurring.
- (5) For the purposes of sub-paragraph (4), members are not connected with each other by reason only of their membership of the joint venture company.
- (6) In this paragraph—
 - “constitutional document” (“*dogfen gyfansoddiadol*”) means a memorandum of association, articles of association or any other similar document regulating the affairs of the joint venture company;
 - “joint venture company” (“*cwmni cyd-fenter*”) means a company which—
 - (a) has two or more member companies, and
 - (b) carries on a commercial activity governed by an agreement regulating the affairs of its members;
 - “member” (“*aelod*”) means a holder of shares or securities in the joint venture company.