

*These notes refer to the Corporation Tax Act 2010  
(c.4) which received Royal Assent on 3 March 2010*

# **CORPORATION TAX ACT 2010**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

#### **Part 10: Close companies**

##### **Overview**

1316. This Part rewrites sections 414 to 417 and 419 to 422 of ICTA and Schedule 12 to FA 1989, which are concerned with close companies.
1317. A company controlled by a small group of persons may arrange its affairs to enable those persons to avoid income tax. The close company provisions in Part 11 of ICTA counter this.
1318. The close company legislation, as such, has two main effects. First, section 418 of ICTA extends the meaning of “distribution” to encompass certain benefits which may be disguised distributions of profit to the shareholders or their families. Section 418 is rewritten in this Act as part of the legislation on distributions. See section 1064. Second, section 419 of ICTA imposes tax in respect of certain loans made to shareholders or their families which could in practice represent the extraction of profits without the payment of tax by those persons. Section 419 is rewritten in Chapter 3 of this Part.
1319. Other legislation imposes further restrictions on close companies. For example, close companies which are “close investment-holding companies” (as defined in section 13A of ICTA) are not entitled to claim to pay the rate of corporation tax for companies with small profits. Section 13A is rewritten in this Act as part of the legislation on relief for companies with small profits. See section 34.
1320. The term “control” is defined for close company purposes in section 416 of ICTA. This definition is also widely used in other contexts. Section 416 is rewritten in Chapter 2 of this Part.