



Finance Act 2016

2016 CHAPTER 24

PART 4

CAPITAL GAINS TAX

Entrepreneurs' relief

85 Entrepreneurs' relief: disposal of goodwill

(1) Section 169LA of TCGA 1992 (relevant business assets: goodwill transferred to a related party etc) is amended as follows.

(2) In subsection (1)—

(a) at the beginning insert “ Subject to subsection (1A), ”,

(b) at the end of paragraph (a) insert “ and ”,

(c) after paragraph (a) insert—

“(aa) immediately after the disposal—

(i) P and any relevant connected person together own 5% or more of the ordinary share capital of C or of any company which is a member of a group of companies of which C is a member, or

(ii) P and any relevant connected person together hold 5% or more of the voting rights in C or in any company which is a member of a group of companies of which C is a member.”, and

(d) omit paragraphs (b) and (c).

(3) After subsection (1) insert—

“(1A) Where—

(a) subsection (1)(aa) applies by virtue of P's ownership, or any relevant connected person's ownership, of C's ordinary share capital, and

(b) the conditions mentioned in subsection (1B) are met,

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subsection (4) does not apply.

(1B) The conditions referred to in subsection (1A)(b) are—

- (a) P and any relevant connected person dispose of C's ordinary share capital to another company (“A”) such that, immediately before the end of the relevant period, neither P nor any relevant connected person own any of C's ordinary share capital, and
- (b) where A is a close company, immediately before the end of the relevant period—
 - (i) P and any relevant connected person together own less than 5% of the ordinary share capital of A or of any company which is a member of a group of companies of which A is a member, and
 - (ii) P and any relevant connected person together hold less than 5% of the voting rights in A or in any company which is a member of a group of companies of which A is a member.

(1C) In subsection (1B) “the relevant period” means the period of 28 days beginning with the date of the qualifying business disposal, or such longer period as the Commissioners for Her Majesty's Revenue and Customs may by notice allow.”

(4) Omit subsections (2) and (3).

(5) In subsection (5), omit the words from “(including” to the end.

(6) In subsection (7), omit paragraph (b) and the “or” at the end of paragraph (a).

(7) In subsection (8)—

- (a) after the definition of “arrangements” insert—
 - ““group” is to be construed in accordance with section 170;”
- (b) for the definition of “associate”, “control”, “major interest” and “participator” substitute—
 - ““relevant connected person” means—
 - (a) a company connected with P, and
 - (b) trustees connected with P.”

(8) In the heading, for “related party etc” substitute “close company”.

(9) The amendments made by this section have effect in relation to disposals made on or after 3 December 2014.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)