

Connected persons. FA91 s72; FA96 s131(9)(a) 186.—(1) Any question whether a person is connected with a company shall, notwithstanding section 10, be determined for the purposes of sections 176 to 183 in accordance with the following provisions:

(a) a person shall, subject to subsection (2), be connected with a company if the person directly or indirectly possesses or is entitled to acquire more than 30 per cent of—

- (i) the issued ordinary share capital of the company,
- (ii) the loan capital and issued share capital of the company, or
- (iii) the voting power in the company;

(b) a person shall be connected with a company if the person directly or indirectly possesses or is entitled to acquire such rights as would, in the event of the winding up of the company or in any other circumstances, entitle the person to receive more than 30 per cent of the assets of the company which would then be available for distribution to equity holders of the company, and for the purposes of this paragraph—

- (i) the persons who are equity holders of the company, and
- (ii) the percentage of the assets of the company to which a person would be entitled,

shall be determined in accordance with sections 413 and 415, but construing references in section 415 to the first company as references to an equity holder and references to a winding up as including references to other circumstances in which assets of the company are available for distribution to its equity holders;

(c) a person shall be connected with a company if the person has control of the company.

(2) Where a person—

(a) acquired or became entitled to acquire loan capital of a company in the ordinary course of a business carried on by the person, being a business which includes the lending of money, and

(b) takes no part in the management or conduct of the company,

the person's interest in that loan capital shall be disregarded for the purposes of subsection (1)(a).

(3) References in this section to the loan capital of a company are references to any debt incurred by the company—

- (a) for any money borrowed or capital assets acquired by the company,
- (b) for any right to receive income created in favour of the company, or

(c) for consideration the value of which to the company was at the time when the debt was incurred substantially less than the amount of the debt, including any premium on the debt.

(4) For the purposes of this section—

(a) a person shall be treated as entitled to acquire anything which the person is entitled to acquire at a future date or will at a future date be entitled to acquire, and

(b) a person shall be assumed to have the rights or powers of the person's associates as well as the person's own rights or powers.