

Application to subsidiaries. FA84 s26; FA85 s13(d); FA91 s15(1)(f) 507.—(1) A qualifying company may in the relevant period have one or more subsidiaries if—

(a) the conditions in subsection (2) are satisfied in respect of the subsidiary or each subsidiary and, except where provided in subsection (3), continue to be so satisfied until the end of the relevant period, and

(b) the subsidiary or each subsidiary is a company—

(i) within section 495(3)(a)(i), or

(ii) which exists solely for the purpose of carrying on any trade which consists solely of any one or more of the following trading operations—

(I) the purchase of goods or materials for use by the qualifying company or its subsidiaries,

(II) the sale of goods or materials produced by the qualifying company or its subsidiaries, or

(III) the rendering of services to or on behalf of the qualifying company or its subsidiaries.

(2) The conditions referred to in subsection (1)(a) are—

(a) that the subsidiary is a 51 per cent subsidiary of the qualifying company,

(b) that no other person has control of the subsidiary within the meaning of section 11, and

(c) that no arrangements are in existence by virtue of which the conditions in paragraphs (a) and (b) could cease to be satisfied.

(3) The conditions referred to in subsection (1)(a) shall not be regarded as ceasing to be satisfied by reason only of the fact that the subsidiary or the qualifying company is wound up or dissolved without winding up if—

(a) it is shown that the winding up or dissolution is for bona fide commercial reasons and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax, and

(b) the net assets, if any, of the subsidiary or, as the case may be, the qualifying company are distributed to its members before the end of the relevant period or, in the case of a winding up, the end (if later) of 3 years from the commencement of the winding up.

(4) Where a qualifying company has one or more subsidiaries in the relevant period, this Part shall apply subject to Schedule 10.