

Value received from company. FA84 s18 499.—(1) In this section, “ordinary trade debt” means any debt for goods or services supplied in the ordinary course of a trade or business where the credit period given does not exceed 6 months and is not longer than that normally given to the customers of the person carrying on the trade or business.

(2) In this section—

(a) any reference to a payment or transfer to an individual includes a reference to a payment or transfer made to the individual indirectly or to his or her order or for his or her benefit, and

(b) any reference to an individual includes a reference to an associate of the individual and any reference to the company includes a reference to any person connected with the company.

(3) For the purposes of this section, an individual shall receive value from a company where the company—

(a) repays, redeems or repurchases any of its share capital or securities which belong to the individual or makes any payment to the individual for giving up his or her right to any of the company's share capital or any security on its cancellation or extinguishment,

(b) repays any debt owed to the individual other than—

(i) an ordinary trade debt incurred by the company, or

(ii) any other debt incurred by the company—

(I) on or after the earliest date on which the individual subscribed for the shares in respect of which the relief is claimed, and

(II) otherwise than in consideration of the extinguishment of a debt incurred before that date,

(c) makes to the individual any payment for giving up his or her right to any debt on its extinguishment other than—

(i) a debt in respect of a payment of the kind mentioned in paragraph (d) or (e) of section 493 (3), or

(ii) a debt of the kind mentioned in subparagraph (i) or (ii) of paragraph (b),

(d) releases or waives any liability of the individual to the company or discharges, or undertakes to discharge, any liability of the individual to a third person,

(e) makes a loan or advance to the individual,

(f) provides a benefit or facility for the individual,

(g) transfers an asset to the individual for no consideration or for consideration less than its market value or acquires an asset from the individual for consideration exceeding its market value, or

(h) makes to the individual any other payment except a payment of the kind mentioned in paragraph (a), (b), (c), (d) or (e) of section 493 (3) or a payment in discharge of an ordinary trade debt.

(4) For the purposes of this section, an individual shall also receive value from the company where the individual receives in respect of ordinary shares held by the individual any payment or asset in a winding up or in connection with a dissolution of the company, being a winding up or dissolution within section 495 (8).

(5) For the purposes of this section, an individual shall also receive value from the company where any person who for the purposes of section 493 would be treated as connected with the company—

(a) purchases any of its share capital or securities which belong to the individual, or

(b) makes any payment to the individual for giving up any right in relation to any of the company's share capital or securities.

(6) The value received by an individual shall be—

(a) in a case within paragraph (a), (b) or (c) of subsection (3), the amount receivable by the individual or, if greater, the market value of the shares, securities or debt in question,

(b) in a case within subsection (3)(d), the amount of the liability,

(c) in a case within subsection (3)(e), the amount of the loan or advance,

(d) in a case within subsection (3)(f), the cost to the company of providing the benefit or facility less any consideration given for it by the individual,

(e) in a case within subsection (3)(g), the difference between the market value of the asset and the consideration (if any) given for it,

(f) in a case within subsection (3)(h), the amount of the payment,

(g) in a case within subsection (4), the amount of the payment or, as the case may be, the market value of the asset, and

(h) in a case within subsection (5), the amount receivable by the individual or, if greater, the market value of the shares or securities in question.

(7) For the purposes of subsection (3)(d), a company shall be treated as having released or waived a liability where the liability is not discharged by payment within 12 months of the time when it ought to have

been discharged by payment.

(8) For the purposes of subsection (3)(e), there shall be treated as if it were a loan made by the company to the individual—

(a) the amount of any debt (other than an ordinary trade debt) incurred by the individual to the company, and

(b) the amount of any debt due from the individual to a third person which has been assigned to the company.

(9) Where an individual who subscribes for eligible shares in a company—

(a) has, before the issue of the shares but within the relevant period, received any value from the company, or

(b) on or after their issue but before the end of the relevant period, receives any such value,

then, the amount of the relief to which the individual is entitled in respect of the shares shall be reduced by the value so received.

(10) Where by virtue of this section any relief is withheld or withdrawn in the case of an individual to whom ordinary shares in a company have been issued at different times, the relief shall be withheld or withdrawn in respect of shares issued earlier rather than in respect of shares issued later.