Company ceasing to be member of group. CTA76 s135 and FA96 s51 623.—(1) For the purposes of this section—

(a) 2 or more companies shall be associated companies if by themselves they would form a group of companies;

(b) a chargeable gain shall be deferred on a replacement of business assets if, by one or more claims under section 597, a chargeable gain on the disposal of those assets is treated as not accruing until the new assets within the meaning of that section cease to be used for the purpose of a trade carried on by the company making the claim;

(c) an asset acquired by the chargeable company shall be treated as the same as an asset owned at a later time by that company or an associated company if the value of the second asset is derived in whole or in part from the first asset, and in particular where the second asset is a freehold, and the first asset was a leasehold and the lessee has acquired the reversion;

(d) references to a company ceasing to be a member of a group of companies shall not apply to cases where a company ceases to be a member of a group by being wound up or dissolved or in consequence of another member of the group being wound up or dissolved where the winding up or dissolution of the member or the other member, as the case may be, is for bona fide commercial reasons and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

(2) Where a company (in this section referred to as “the chargeable company”) ceases to be a member of a group of companies, this section shall apply as respects any asset which the chargeable company acquired from another company which was at the time of acquisition a member of that group of companies, but only if the time of acquisition fell within the period of 10 years ending with the time when the company ceases to be a member of the group.

(3) (a) Where 2 or more associated companies (in this subsection referred to as “the associated companies”) cease to be members of a group at the same time—

(i) subsection (2) shall not apply as respects an acquisition by one from another of the associated companies, and

(ii) where—

(I) a dividend has been paid or a distribution has been made by one of the associated companies to a company which is not one of the associated companies, and

(II) the dividend so paid or the distribution so made has been paid or made, as the case may be, wholly or partly out of profits which derive from the disposal of any asset by one to another of the associated companies,

the amount of the dividend paid or the amount or value of the distribution made, to the extent that it

is paid or made, as the case may be, out of those profits, shall be deemed for the purposes of the Capital Gains Tax Acts to be consideration (in addition to any other consideration) received by the member of the group or former member of the group in respect of a disposal, being a disposal which gave rise to or was caused by the associated companies ceasing to be members of the group.

(b) Paragraph (a)(ii) shall not apply to a distribution other than a dividend where a company ceases to be a member of a group of companies before the 23rd day of April, 1996.

(4) If when the chargeable company ceases to be a member of the group the chargeable company, or an associated company also leaving the group, owns otherwise than as trading stock—

(a) the asset referred to in subsection (2), or

(b) property on the acquisition of which a chargeable gain in relation to the asset has been deferred on a replacement of business assets,

the chargeable company shall be treated for the purposes of the Capital Gains Tax Acts as if immediately after its acquisition of the asset it had sold and immediately reacquired the asset at market value at that time.

(5) Where any of the corporation tax assessed on a company in consequence of this section is not paid within 6 months from the date when it becomes payable, then—

(a) a company which on that date, or immediately after the chargeable company ceased to be a member of the group, was the principal company of the group, and

(b) a company which owned the asset on that date or when the chargeable company ceased to a member of the group,

may, at any time within 2 years from the time when the tax became payable, be assessed and charged (in the name of the chargeable company) to all or any part of that tax, and a company paying any amount of tax under this subsection shall be entitled to recover a sum of that amount from the chargeable company.

(6) Notwithstanding any limitation on the time for making assessments, an assessment to corporation tax chargeable in consequence of this section may be made at any time within 10 years from the time when the chargeable company ceased to be a member of the group, and where under this section the chargeable company is to be treated as having disposed of and reacquired an asset, all such recomputations of liability in respect of other disposals, and all such adjustments of tax, whether by means of assessment or by means of discharge or repayment of tax, as may be required in consequence of this section shall be made.