



# The Substantial Shareholdings Exemption (SSE)

## SSE EXEMPTS THE DISPOSAL OF CERTAIN SHARES IN SUBSIDIARIES FROM CORPORATION TAX ON ANY CHARGEABLE GAIN ARISING.

Wilson Wright has a team of experts able to assist clients to take advantage of SSE. We can advise on the requirements for the exemption, as set out below, and offer guidance on all other related aspects, helping to achieve the best possible outcome for your business.

SSE was first introduced as part of Finance Act 2002 with substantial changes being introduced by Finance (No 2) Act 2017. These provisions can be found, in the Taxation of Chargeable Gains Act 1992 at Schedule 7AC.

The provisions apply to disposals made by a company and do not apply to disposals made by an individual, trust or partnership.

In order to qualify for SSE certain conditions must be satisfied. Broadly, these are:

- The investing company has owned a "substantial shareholding" in the investee company;
- The investing company has held the shares for the requisite period of time; and
- The investee company is a trading company or a holding company of either a trading group or a trading sub-group.

Where this is the case, chargeable gains are not subject to corporation tax and losses are not allowable.

### SUBSTANTIAL SHAREHOLDING

A substantial shareholding is defined as 10% or more of a company's ordinary share capital. These ordinary

shares must also give entitlement to at least 10% of the company's distributable profits and 10% of assets on a winding up.

When calculating the 10% shareholding, shareholdings of members of a group of companies are aggregated.

### TIME REQUIREMENT

The investing company must have held the shares for a continuous 12 month period beginning not more than six years before the date of disposal.

The exemption can also apply where there has been a transfer of part of a group's trading assets to a newly formed company (where the 12 month holding period would not be met).

### TRADING REQUIREMENT

A trading company is a company carrying on trading activities whose activities do not include, to a substantial extent, activities other than trading activities (e.g. investment activities).

"Substantial extent" should be taken to mean more than 20%.

### ADDITIONAL EXEMPTIONS

There are two further exemptions that extend the availability of SSE:

- Disposals of assets related to shares (e.g. an option over shares in the investee company); and
- Disposals where the main exemption conditions are not met at the time of the disposal, but would have been if a disposal had taken place in the previous two years.

## QUALIFYING INSTITUTIONAL INVESTORS (QI)

Finance (No 2) Act 2017 also introduced a new form of SSE with fewer qualifying conditions for companies that are wholly or partly owned by certain institutional investors.

### HOW WILSON WRIGHT CAN HELP

As outlined above, the SSE legislation is complex and there are a number of conditions that must be satisfied for the exemption to apply. It is important to take expert advice when considering whether or not the exemption applies which is where we can help you.

At Wilson Wright, we understand the importance of businesses having sufficient time to concentrate on those things which matter most to them. One of our aims is to ease the compliance burden by being proactive and forward thinking so that your time can be focused on the day-to-day running of your company.

This factsheet covers the main principles of SSE schemes. Please note that it should be taken as a general introduction only and our team would be happy to discuss this with you in further detail.

Our expert team both understand and have experience of implementing SSE and would be happy to assist with any matters relating to the exemption.

**To find out more about what they can do for you, visit: [wilsonwright.com](http://wilsonwright.com) or call 020 7832 0444**



## MEET THE TEAM

If you require further information or guidance on any of the matters in this guide, do not hesitate to contact the Wilson Wright team.

**For full details of our services please visit [wilsonwright.com](http://wilsonwright.com) or call 020 7832 0444.**

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