



Taxation of Chargeable Gains Act 1992

1992 CHAPTER 12

PART IV

SHARES, SECURITIES, OPTIONS ETC.

CHAPTER II

REORGANISATION OF SHARE CAPITAL, CONVERSION OF SECURITIES ETC.

Conversion of securities

132 Equation of converted securities and new holding

- (1) Sections 127 to 131 shall apply with any necessary adaptations in relation to the conversion of securities as they apply in relation to a reorganisation (that is to say, a reorganisation or reduction of a company's share capital).
- (2) This section has effect subject to sections 133 and 134.
- (3) For the purposes of this section and section 133—
 - (a) “conversion of securities” includes—
 - (i) a conversion of securities of a company into shares in the company, and
 - (ii) a conversion at the option of the holder of the securities converted as an alternative to the redemption of those securities for cash, and
 - (iii) any exchange of securities effected in pursuance of any enactment (including an enactment passed after this Act) which provides for the compulsory acquisition of any shares or securities and the issue of securities or other securities instead,
 - (b) “security” includes any loan stock or similar security whether of the Government of the United Kingdom or of any other government, or of any

public or local authority in the United Kingdom or elsewhere, or of any company, and whether secured or unsecured.

133 Premiums on conversion of securities

- (1) This section applies where, on a conversion of securities, a person receives, or becomes entitled to receive, any sum of money (“the premium”) which is by way of consideration (in addition to his new holding) for the disposal of the converted securities.
- (2) If the inspector is satisfied that the premium is small, as compared with the value of the converted securities, and so directs—
 - (a) receipt of the premium shall not be treated for the purposes of this Act as a disposal of part of the converted securities, and
 - (b) the premium shall be deducted from any expenditure allowable under this Act as a deduction in computing a gain or loss on the disposal of the new holding by the person receiving or becoming entitled to receive the premium.
- (3) A person who is dissatisfied with the refusal of the inspector to give a direction under subsection (2) above may appeal to the Commissioners having jurisdiction on an appeal against an assessment to tax in respect of a gain accruing to him on a disposal of the securities.
- (4) Where the allowable expenditure is less than the premium (or is nil)—
 - (a) subsections (2) and (3) above shall not apply, and
 - (b) if the recipient so elects (and there is any allowable expenditure)—
 - (i) the amount of the premium shall be reduced by the amount of the allowable expenditure, and
 - (ii) none of that expenditure shall be allowable as a deduction in computing a gain accruing on the occasion of the conversion, or on any subsequent occasion.
- (5) In subsection (4) above “allowable expenditure” means expenditure which immediately before the conversion was attributable to the converted securities under paragraphs (a) and (b) of section 38(1).

134 Compensation stock

- (1) This section has effect where gilt-edged securities are exchanged for shares in pursuance of any enactment (including an enactment passed after this Act) which provides for the compulsory acquisition of any shares and the issue of gilt-edged securities instead.
- (2) The exchange shall not constitute a conversion of securities within section 132 and shall be treated as not involving any disposal of the shares by the person from whom they were compulsorily acquired but—
 - (a) there shall be calculated the gain or loss that would have accrued to him if he had then disposed of the shares for a consideration equal to the value of the shares as determined for the purpose of the exchange, and
 - (b) on a subsequent disposal of the whole or part of the gilt-edged securities by the person to whom they were issued—
 - (i) there shall be deemed to accrue to him the whole or a corresponding part of the gain or loss mentioned in paragraph (a) above, and

- (ii) section 115(1) shall not have effect in relation to any gain or loss that is deemed to accrue as aforesaid.
- (3) Where a person to whom gilt-edged securities of any kind were issued as mentioned in subsection (1) above disposes of securities of that kind, the securities of which he disposes—
- (a) shall, so far as possible, be identified with securities which were issued to him as mentioned in subsection (1) above rather than with other securities of that kind, and
 - (b) subject to paragraph (a) above, shall be identified with securities issued at an earlier time rather than those issued at a later time.
- (4) Subsection (2)(b) above shall not apply to any disposal falling within the provisions of section 58(1), 62(4) or 171(1) but a person who has acquired the securities on a disposal falling within those provisions (and without there having been a previous disposal not falling within those provisions or a devolution on death) shall be treated for the purposes of subsections (2)(b) and (3) above as if the securities had been issued to him.
- (5) Where the gilt-edged securities to be exchanged for any shares are not issued until after the date on which the shares are compulsorily acquired but on that date a right to the securities is granted, this section shall have effect as if the exchange had taken place on that date, as if references to the issue of the securities and the person to whom they were issued were references to the grant of the right and the person to whom it was granted and references to the disposal of the securities included references to disposals of the rights.
- (6) In this section “shares” includes securities within the meaning of section 132.
- (7) This section does not apply where the compulsory acquisition took place before 7th April 1976.