



Corporation Tax Act 2010

2010 CHAPTER 4

PART 14

CHANGE IN COMPANY OWNERSHIP

CHAPTER 7

MEANING OF “CHANGE IN THE OWNERSHIP OF A COMPANY”

Disregard of change in ownership

724 Disregard of change in company ownership

- (1) A change in the ownership of a company (“the subsidiary company”) is disregarded for the purposes of Chapters 2 to 6 if —
 - (a) immediately before the change in ownership, the subsidiary company is a qualifying 75% subsidiary of another company (“the parent company”), and
 - (b) although there is a change in the direct ownership of the subsidiary company, the subsidiary company continues after the change to be a qualifying 75% subsidiary of the parent company.
- (2) For the purposes of this section, the subsidiary company is a qualifying 75% subsidiary of the parent company if conditions A, B and C are met.
- (3) Condition A is that the subsidiary company is a 75% subsidiary of the parent company.
- (4) Condition B is that the parent company would be beneficially entitled to at least 75% of any profits available for distribution to equity holders of the subsidiary company.
- (5) Condition C is that the parent company would be beneficially entitled to at least 75% of any assets of the subsidiary company available for distribution to its equity holders on a winding up.

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross Heading: Disregard of change in ownership. (See end of Document for details)

- (6) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsections (4) and (5) as it applies for the purposes of section 151(4)(a) and (b).

Modifications etc. (not altering text)

- C1** Ss. 719-724A modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by Finance (No. 2) Act 2023 (c. 30), ss. 212(5), 264

[^{F1}724A Disregard of change in parent company

- (1) Where a new company (“N”) acquires all the issued share capital of another company (“C”), the resulting ownership change is disregarded for the purposes of Chapters 2 to 6 if, immediately after that acquisition (“the acquisition”), N—
 - (a) possesses all of the voting power in C,
 - (b) is beneficially entitled to 100% of any profits available for distribution to equity holders of C,
 - (c) would be beneficially entitled to 100% of any assets of C available for distribution to its equity holders in the event of a winding up of C or in any other circumstances, and
 - (d) meets the continuity requirements.
- (2) “The resulting ownership change” means the change in the ownership of C by reason of Condition A in section 719 being met in relation to the acquisition.
- (3) A company is “new” if, before the acquisition, it has neither—
 - (a) issued any shares other than subscriber shares, nor
 - (b) begun to carry on any trade or business.
- (4) N meets the continuity requirements if, and only if—
 - (a) the consideration for the acquisition consists only of the issue of shares in N to the shareholders of C,
 - (b) immediately after the acquisition, each person who immediately before the acquisition was a shareholder of C is a shareholder of N,
 - (c) immediately after the acquisition, the shares in N are of the same classes as were the shares in C immediately before the acquisition,
 - (d) immediately after the acquisition, the number of shares of any particular class in N bears to all the shares in N the same proportion, or as nearly as may be the same proportion, as the number of shares of that class in C bore to all the shares in C immediately before the acquisition, and
 - (e) immediately after the acquisition, the proportion of shares of any particular class in N held by any particular shareholder is the same, or as nearly as may be the same, as the proportion of shares of that class in C held by that shareholder immediately before the acquisition.
- (5) For the purposes of this section, N is treated as acquiring all the issued share capital of C for consideration consisting only of the issue of shares in N to the shareholders of C if, as a result of a scheme of reconstruction involving the cancellation of all shares in C and the issue of shares in N—

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- (a) N holds all the issued share capital of C by reason of that share capital being issued to N by C, and
 - (b) only shares in N are issued to the persons who were shareholders of C immediately before the shares in C were cancelled.
- (6) In a case within subsection (5), subsection (4) applies as if any reference to immediately before the acquisition were a reference to immediately before the shares in C were cancelled.
- (7) “Scheme of reconstruction” means a scheme carried out in pursuance of a compromise or arrangement—
- (a) to which Part 26 [^{F2}or 26A] of the Companies Act 2006 (arrangements and reconstructions) applies, or
 - (b) under any corresponding provision of the law of a country or territory outside the United Kingdom.
- (8) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (1)(b) and (c) as it applies for the purposes of section 151(4).]

Textual Amendments

- F1** S. 724A inserted (with effect in accordance with s. 37(6) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 37\(4\)](#)
- F2** Words in s. 724A(7)(a) inserted (26.6.2020) by [Corporate Insolvency and Governance Act 2020 \(c. 12\), s. 49\(1\), Sch. 9 para. 44](#) (with ss. 2(2), 5(2))

Modifications etc. (not altering text)

- C1** [Ss. 719-724A](#) modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), ss. 212\(5\), 264](#)

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