



Finance Act 1986

1986 CHAPTER 41

PART IV

STAMP DUTY RESERVE TAX

The principal charge

[^{F1}89AB Section 87: exception for repurchases and stock lending in case of insolvency

- (1) This section applies where—
 - (a) P and Q have entered into an arrangement falling within section 89AA(1),
 - (b) the only reason that the conditions in subsection (2A) or (3) of that section are not met is that chargeable securities of the same kind and amount as those transferred to P or P's nominee are not transferred to Q or Q's nominee, and
 - (c) the conditions in subsection (2) below are met.
- (2) The conditions in this subsection are that—
 - (a) P and Q are not connected persons within the meaning of [^{F2}section 1122 of the Corporation Tax Act 2010],
 - (b) after Q has transferred securities under the arrangement, either P or Q becomes insolvent,
 - (c) it becomes apparent (whether before or after the insolvency occurs) that, as a result of the insolvency, securities will not be transferred to Q or Q's nominee in accordance with the arrangement.
- (3) Section 87 does not apply as regards an agreement to transfer chargeable securities to P or P's nominee, or Q or Q's nominee, in accordance with the arrangement.
- (4) Subsections (5) and (6) apply if—
 - (a) the party who does not become insolvent (“the solvent party”) or the solvent party's nominee acquires replacement securities, and

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- (b) the replacement securities are acquired before the end of the period of 30 days beginning with the day on which the insolvency occurs (“the insolvency date”).
- (5) Where collateral is provided under the arrangement (or under arrangements of which that arrangement forms part), section 87 does not apply as regards any agreement to transfer to the solvent party or the solvent party's nominee—
- (a) replacement securities acquired using the collateral (whether directly or indirectly), or
 - (b) where the solvent party uses the whole of the value of the collateral to acquire replacement securities, any further replacement securities.
- (6) Where no collateral is provided as mentioned in subsection (5), section 87 does not apply as regards any agreement to transfer replacement securities to the solvent party or the solvent party's nominee.
- (7) Subsections (5) and (6) may apply as regards more than one agreement (and where those subsections apply as regards more than one agreement, the agreements may be with different persons).
- (8) But those subsections apply only as regards replacement securities up to the amount of securities which will not be transferred as a result of the insolvency.
- (9) For the purposes of this section a person becomes insolvent—
- (a) if a company voluntary arrangement takes effect under Part 1 of the Insolvency Act 1986,
 - (b) if an administration application (within the meaning of Schedule B1 to that Act) is made or a receiver or manager, or an administrative receiver, is appointed,
 - (c) on the commencement of a creditor's voluntary winding up (within the meaning of Part 4 of that Act) or a winding up by the court under Chapter 6 of that Part,
 - (d) if an individual voluntary arrangement takes effect under Part 8 of that Act,
 - (e) on the [^{F3}making of a bankruptcy application or] presentation of a bankruptcy petition (within the meaning of Part 9 of that Act),
 - (f) if a compromise or arrangement takes effect under Part 26 [^{F4}or 26A] of the Companies Act 2006,
 - (g) if a bank insolvency order takes effect under Part 2 of the Banking Act 2009,
 - (h) if a bank administration order takes effect under Part 3 of that Act, ^{F5}...
 - [^{F6}(ha) if a special administration order takes effect under the Investment Bank Special Administration Regulations 2011, ^{F7}...]
 - [^{F8}(hb) if a special administration order takes effect under the Payment and Electronic Money Institution Insolvency Regulations 2021, or]
 - (i) on the occurrence of any corresponding event which has effect under or as a result of the law of Scotland or Northern Ireland or a country or territory outside the United Kingdom.
- (10) In this section—
- “collateral” means an amount of money or other property which is payable to, or made available for the benefit of, a party to an arrangement or that party's nominee for the purpose of securing the discharge of the requirement to transfer securities to that party or the nominee;

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“replacement securities”, in the event of a party to an arrangement becoming insolvent, are chargeable securities of the same kind as the securities which will not be transferred to the other party or that party's nominee as a result of the insolvency.]

Textual Amendments

- F1** S. 89AB inserted (with effect in accordance with s. 83(2)(3) of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 37 para. 5**
- F2** Words in s. 89AB(2)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 200** (with Sch. 2)
- F3** Words in s. 89AB(9)(e) inserted (6.4.2016) by [The Enterprise and Regulatory Reform Act 2013 \(Consequential Amendments\) \(Bankruptcy\) and the Small Business, Enterprise and Employment Act 2015 \(Consequential Amendments\) Regulations 2016 \(S.I. 2016/481\)](#), reg. 1, **Sch. 1 para. 7(3)**
- F4** Words in s. 89AB(9)(f) inserted (26.6.2020) by [Corporate Insolvency and Governance Act 2020 \(c. 12\)](#), s. 49(1), **Sch. 9 para. 4** (with ss. 2(2), 5(2))
- F5** Word in s. 89AB(9)(h) omitted (8.2.2011) by virtue of [The Investment Bank Special Administration Regulations 2011 \(S.I. 2011/245\)](#), reg. 1, **Sch. 6 para. 9(3)** (with reg. 27(a))
- F6** S. 89AB(9)(ha) inserted (8.2.2011) by [The Investment Bank Special Administration Regulations 2011 \(S.I. 2011/245\)](#), reg. 1, **Sch. 6 para. 9(3)** (with reg. 27(a))
- F7** Word in s. 89AB(9)(ha) omitted (8.7.2021) by virtue of [The Payment and Electronic Money Institution Insolvency Regulations 2021 \(S.I. 2021/716\)](#), reg. 2, **Sch. 4 para. 2(3)** (with reg. 5) (as amended (4.1.2024) by S.I. 2023/1399, regs. 1(2), 4)
- F8** S. 89AB(9)(hb) inserted (8.7.2021) by [The Payment and Electronic Money Institution Insolvency Regulations 2021 \(S.I. 2021/716\)](#), reg. 2, **Sch. 4 para. 2(3)** (with reg. 5) (as amended (4.1.2024) by S.I. 2023/1399, regs. 1(2), 4)

Changes to legislation:

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