

SCHEDULES

SCHEDULE 35

Section 113

STAMP DUTY: WITHDRAWAL OF RELIEF FOR COMPANY ACQUISITIONS: SUPPLEMENTARY PROVISIONS

Introduction

- 1 (1) The provisions of this Schedule supplement section 113 (withdrawal of relief under s.76 of the Finance Act 1986 (c. 41)).
- (2) Expressions used in this Schedule that are defined for the purposes of that section have the same meaning in this Schedule.

Change of control due to exempt transfer

- 2 Section 113 does not apply by reason of control of the acquiring company changing as a result of any of the transactions listed in the Schedule to the Stamp Duty (Exempt Instruments) Regulations 1987 (S.I. 1987/516).

Change of control due to intra-group transfer

- 3 (1) Section 113 does not apply by reason of control of the acquiring company changing as a result of a transfer of shares (“the intra-group transfer”) in relation to which group relief applies.
- (2) In this paragraph—
 - (a) “group relief” means relief under section 42 of the Finance Act 1930 (c. 28) or section 11 of the Finance Act (Northern Ireland) 1954 (c. 23 (N.I.)) (transfer of property between associated bodies corporate); and
 - (b) references to a transfer in relation to which group relief applies are to a transfer such that an instrument effecting the transfer is exempt from stamp duty by virtue of either of the group relief provisions.
- (3) But if before the end of the period of two years beginning with the date on which the relevant instrument was executed—
 - (a) a company (“company B”) holding shares in the acquiring company to which the intra-group share transfer related, or that are derived from shares to which that instrument related, ceases to be a member of the same group as the company referred to in section 76 as the target company (“company C”), and
 - (b) the acquiring company, at that time, holds an estate or interest in land—
 - (i) that was transferred to it by the relevant instrument, or
 - (ii) that is derived from an estate or interest so transferred,and that was not subsequently transferred to it by a duly stamped instrument on which *ad valorem* duty was paid and in relation to which section 76 relief was not claimed,

the following provisions apply.

- (4) In those circumstances—
- (a) section 76 relief in relation to the relevant instrument (or an appropriate proportion of that relief) is withdrawn, and
 - (b) the additional stamp duty that would have been paid on stamping the relevant instrument but for that relief if the land in question had been transferred by that instrument at market value, or an appropriate proportion of that amount, is payable by the acquiring company within 30 days after company B ceases to be a member of the same group as company C.
- (5) In this paragraph—
- (a) “company” includes any body corporate; and
 - (b) references to a company being in the same group as another company are to the companies being associated bodies corporate within the meaning of the relevant group relief provision.

Change of control due to exempt share acquisition

- 4 (1) Section 113 does not apply by reason of control of the acquiring company changing as a result of a transfer of shares (“the exempt transfer”) to another company (“the parent company”) in relation to which share acquisition relief applies.
- (2) For this purpose—
- (a) “share acquisition relief” means relief under section 77 of the Finance Act 1986 (c. 41); and
 - (b) references to a transfer in relation to which such relief applies are to a transfer such that an instrument effecting the transfer is exempt from stamp duty by virtue of that provision.
- (3) But if before the end of the period of two years beginning with the date on which the relevant instrument was executed—
- (a) control of the parent company changes at a time when that company holds any shares transferred to it by the exempt transfer, or any shares derived from shares so transferred, and
 - (b) the acquiring company, at that time, holds an estate or interest in land—
 - (i) that was transferred to it by the relevant instrument, or
 - (ii) that is derived from an estate or interest so transferred,
 and that was not subsequently transferred to it by a duly stamped instrument on which *ad valorem* duty was paid and in relation to which section 76 relief was not claimed,

the following provisions apply.

- (4) In those circumstances—
- (a) section 76 relief in relation to the relevant instrument (or an appropriate proportion of that relief) is withdrawn, and
 - (b) the additional stamp duty that would have been paid on stamping the relevant instrument but for that relief if the land in question had been transferred by that instrument at market value, or an appropriate proportion of that additional duty, is payable by the acquiring company within 30 days after control of the parent company changed.

Change of control due to interest of loan creditor

- 5 (1) Section 113 does not apply by reason of control of the acquiring company changing as a result of a loan creditor becoming, or ceasing to be, treated as having control of the company if the other persons who were previously treated as controlling the company continue to be so treated.
- (2) In sub-paragraph (1) “loan creditor” has the meaning given by section 417(7) to (9) of the Taxes Act 1988.

Interest

- 6 (1) If any duty payable under section 113 or this Schedule is not paid within the period of 30 days within which payment is to be made, interest is payable on the amount remaining unpaid.
- (2) The provisions of section 15A(3) to (5) of the Stamp Act 1891 (c. 39) (rate of interest on unpaid duty, etc) apply in relation to interest under this paragraph.

Duty of acquiring company to notify particulars

- 7 (1) The acquiring company shall, within the period of 30 days within which payment is to be made, notify the Commissioners of—
- (a) the date on which the event occurred by reason of which it is liable to make a payment of duty under section 113 or this Schedule,
 - (b) the relevant land held by it at that time,
 - (c) the nature of the relevant instrument, the date on which it was executed, the parties to the instrument and the date on which the instrument was stamped,
 - (d) the market value of the land transferred to it by the relevant instrument at the date it was executed, and
 - (e) the amount of duty and interest payable by it.
- (2) In sub-paragraph (1)(b) the “relevant land” held by the acquiring company means every estate or interest to in relation to which section 113(1)(c) applies.
- (3) In section 98(5) of the Taxes Management Act 1970 (c. 9) (penalty for failure to provide information), in the second column of the Table, at the appropriate place insert “paragraph 7 of Schedule 35 to the Finance Act 2002”.

Determination, collection and recovery of duty and interest

- 8 The provisions of regulations under section 98 of the Finance Act 1986 (c. 41) (stamp duty reserve tax: administration etc), and the provisions of the Taxes Management Act 1970 applied by those regulations, have effect with the necessary modifications in relation to—
- (a) the determination by the Commissioners of the duty payable under section 113 or this Schedule, or of the interest payable thereon,
 - (b) appeals against any such determination, and
 - (c) the collection and recovery of any such duty or interest,
- as if it were an amount of stamp duty reserve tax.

Recovery of section 76 relief from from another group company or controlling director

- 9 (1) This paragraph applies where—
- (a) an amount is payable under section 113 or this Schedule by the acquiring company,
 - (b) a notice of determination of the amount payable has been issued by the Inland Revenue, and
 - (c) the whole or part of that amount is unpaid six months after the date on which it became payable.
- (2) The following persons may, by notice under paragraph 10, be required to pay the unpaid amount—
- (a) any company that at any relevant time was a member of the same group as the acquiring company and was above it in the group structure, and
 - (b) any person who at any relevant time was a controlling director of the acquiring company or of a company having control of the acquiring company.
- (3) For this purpose a “relevant time” means any time between the execution of the relevant instrument and the change of control by virtue of which the liability to pay the amount arises.
- (4) In this paragraph—
- (a) references to companies being in the same group are to one company having control of the other or both companies being under the control of the same person or persons;
 - (b) a company is “above” another company in a group structure if it controls—
 - (i) that company, or
 - (ii) another company that is above that company in the group structure;
 - (c) “director”, in relation to a company, has the meaning given by section 168(8) of the Taxes Act 1988 (read with subsection (9) of that section) and includes any person falling within section 417(5) of that Act (read with subsection (6) of that section); and
 - (d) “controlling director”, in relation to a company, means a director of the company who has control of it.

Recovery of section 76 relief from another group company or controlling director: procedure and time limit

- 10 (1) The Commissioners may serve a notice on a person within paragraph 9(2) requiring him, within 30 days of the service of the notice, to pay the amount that remains unpaid.
- (2) A notice under this paragraph must be served before the end of the period of three years beginning with the date on which the notice of determination mentioned in paragraph 9(1)(b) is issued.
- (3) The notice must state the amount required to be paid by the person on whom the notice is served.
- (4) The notice has effect—
- (a) for the purposes of the recovery from that person of the amount required to be paid and of interest on that amount, and

- (b) for the purposes of appeals,
as if it were a notice of determination and that amount were an amount of stamp duty reserve tax due from that person.
- (5) A person who has paid an amount in pursuance of a notice under this paragraph may recover that amount from the acquiring company.
- (6) A payment in pursuance of a notice under this paragraph is not allowed as a deduction in computing any income, profits or losses for any tax purposes.

Power to require information

- 11 (1) The Commissioners may by notice require any person to furnish them within such time, not being less than 30 days, as may be specified in the notice with such information (including documents or records) as the Commissioners may reasonably require for the purposes of section 113 or this Schedule.
- (2) A barrister or solicitor shall not be obliged in pursuance of a notice under this paragraph to disclose, without his client's consent, any information with respect to which a claim to professional privilege could be maintained.
- (3) In section 98(5) of the Taxes Management Act 1970 (c. 9) (penalty for failure to comply with notice to provide information), in the first column of the Table, at the appropriate place insert "paragraph 11 of Schedule 35 to the Finance Act 2002".

Supplementary

- 12 Section 113 and this Schedule shall be construed as one with the Stamp Act 1891 (c. 39).