

SCHEDULES

SCHEDULE 9

CHARGEABLE GAINS: SHARE EXCHANGES AND COMPANY RECONSTRUCTIONS

PART 2

CONSEQUENTIAL AMENDMENTS

Taxes Act 1988

- 4 (1) The Taxes Act 1988 is amended as follows.
- (2) In section 299 (disposal of shares)—
- (a) in subsection (6D), as that section applies to shares issued after 31st December 1993 (enterprise investment scheme), and
 - (b) in subsection (4C), as that section applies to shares issued before 1st January 1994 (business expansion scheme),
- for “(whether or not by virtue of section 135(3) of that Act)” substitute “(including a case where that section applies by virtue of any enactment relating to chargeable gains)”, and for the words from “shall be construed” to the end substitute “have the same meaning as in section 127 of the 1992 Act (or, as the case may be, that section as applied by virtue of the enactment concerned)”.
- (3) In section 312(3) (interpretation of Chapter 3 of Part 7: references to disposal of shares), for “136(1)” substitute “136”.
- (4) In section 473(6) (conversion etc of securities held as circulating capital), for “136(3)” substitute “135(5), 136(5)”.
- (5) In section 757 (disposal of material interests in non-qualifying offshore funds), for subsections (5) and (6) substitute—
- “(5) Section 135 of the 1992 Act (exchange of securities for those in another company treated as not involving a disposal) does not apply for the purposes of this Chapter if the company that is company A for the purposes of that section is or was at a material time a non-qualifying offshore fund and the company that is company B for those purposes is not such a fund.
- In a case where that section would apply apart from this subsection, the exchange in question (of shares, debentures or other interests in or of an entity that is or was at a material time a non-qualifying offshore fund) shall for the purposes of this Chapter constitute a disposal of interests in the offshore fund for a consideration equal to their market value at the time of the exchange.
- (6) Section 136 of the 1992 Act (scheme of reconstruction involving issue of securities treated as exchange not involving disposal) does not apply for the

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purposes of this Chapter so as to require persons to be treated as exchanging shares, debentures or other interests in or of an entity that is or was at a material time a non-qualifying offshore fund for assets that do not constitute interests in such a fund.

In a case where that section would apply apart from this subsection, the deemed exchange in question (of shares, debentures or other interests in or of an entity that is or was at a material time a non-qualifying offshore fund) shall for the purposes of this Chapter constitute a disposal of interests in the offshore fund for a consideration equal to their market value at the time of the deemed exchange.”.

- (6) In section 758(6) (offshore funds operating equalisation arrangements: events treated as disposal), for the words from “section 135” to the end substitute “any provision of Chapter 2 of Part 4 of that Act”.
- (7) In section 842 (investment trusts), at the end of subsection (4) add “and “scheme of reconstruction” has the same meaning as in section 136 of that Act”.

Taxation of Chargeable Gains Act 1992

- 5 (1) The Taxation of Chargeable Gains Act 1992 (c. 12) is amended as follows.
- (2) In section 31 (distributions within a group followed by a disposal of shares), for subsection (6)(b) substitute—
 - “(b) an exchange, or deemed exchange, of shares in or debentures of a company held by company A for shares in or debentures of another company, being a company associated with company A immediately after the transaction, that is treated by virtue of section 135 or 136 as a reorganisation of share capital within the meaning of section 126 to which sections 127 to 131 apply with the necessary adaptations, or”.
- (3) In section 34 (transactions treated as a reorganisation of capital)—
 - (a) in subsections (1)(a), (1A), (1B) and (1C)(a) for “sections 127 and 135(3)” substitute “section 135 or 136”;
 - (b) in the closing words of subsection (1) for “section 135(3)” substitute “section 135 or 136”; and
 - (c) in subsection (2) for the words from the beginning to “and in those subsections” substitute “In subsections (1) to (1C)” (the words omitted being unnecessary).
- (4) In section 102 (collective investment schemes with property divided into separate parts), in subsection (3)(b) after “135” insert “or 136”.
- (5) In section 137 (restriction on application of sections 135 and 136)—
 - (a) in subsection (1), for “, reconstruction or amalgamation” substitute “or scheme of reconstruction”; and
 - (b) in subsection (6), for “section 136(3)” substitute “section 135(5), 136(5)”.
- (6) In section 138(1) (procedure for clearance in advance), for “, reconstruction or amalgamation” substitute “or scheme of reconstruction”.
- (7) In section 139 (reconstruction involving transfer of business), for subsection (9) substitute—

- “(9) In this section “scheme of reconstruction” has the same meaning as in section 136.”.
- (8) In section 147 (quoted options treated as part of new holdings)—
- (a) in subsection (1) for “or amalgamation” substitute “, exchange or scheme of reconstruction”; and
 - (b) in subsection (2) at the end insert “and “scheme of reconstruction” has the same meaning as in section 136”.
- (9) In section 151B (venture capital trusts: supplementary), in subsection (8) for paragraph (c) substitute—
- “(c) a reference to the exchanged holding is, in relation to section 135 or 136, to the shares in the company referred to in that section as company A.”.
- (10) In section 171(3) (transfers within a group) for “by virtue of sections 127 and 135” substitute “by section 127 as it applies by virtue of section 135”.
- (11) In section 211(2)(a) (transfer of long-term business of insurance company), after “scheme of reconstruction” insert “within the meaning of that section”.
- (12) In section 251 (debts: general provisions)—
- (a) in subsection (2) for “132 and 135” substitute “132, 135 and 136”;
 - (b) in subsection (3)—
 - (i) for “132 and 135” substitute “132, 135 and 136”, and
 - (ii) for “either section 132 or 135” substitute “section 132, 135 or 136”;
 - (c) in subsection (6)(b) for the words from “unaffected” to the end substitute “to which section 135 applies and which is unaffected by section 137(1)”.
- (13) In Schedule A1 (taper relief), in paragraph 18(1)(b) (special rules for assets acquired in the reconstruction of mutual businesses etc) for “subsection (3)” substitute “subsection (2)(a)”.
- (14) In Schedule 6 (retirement relief: supplementary provisions), in paragraph 2(2) for “section 135(3)” substitute “section 135 or 136”.

Finance Act 2000

- 6 (1) Schedule 15 to the Finance Act 2000 (c. 17) (corporate venturing scheme) is amended as follows.
- (2) In paragraph 71 (tax avoidance), in sub-paragraph (1)(b)(ii) for “reconstructions and amalgamations” substitute “schemes of reconstruction”.
- (3) In paragraph 82(1) (company reconstructions and amalgamations), in the closing words for “company reconstructions and amalgamations” substitute “share exchanges and company reconstructions”.
- (4) In paragraph 93(7) (identification of shares on a disposal: cases to which section 127 applies)—
- (a) for “(whether or not by virtue of section 135(3) of that Act)” substitute “(including a case where that section applies by virtue of any enactment relating to chargeable gains)”; and

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- (b) for the words from “shall be construed” to the end substitute “have the same meaning as in section 127 of the 1992 Act (or, as the case may be, that section as applied by virtue of the enactment concerned)”.
- (5) In paragraph 96 (meaning of “disposal”)—
- (a) in sub-paragraph (2)(a) for “section 136(1)” substitute “section 136”;
 - (b) in sub-paragraph (2)(b) for “sections 135 and 136 of that Act to bona fide reconstructions and amalgamations” substitute “section 136 of that Act to bona fide schemes of reconstruction”.