Finance Act 2003

2003 CHAPTER 14

PART 9

MISCELLANEOUS AND SUPPLEMENTARY PROVISIONS

Provisions consequential on changes to company law

195 Companies acquiring their own shares

(1) This section applies for the purposes of the Taxes Acts and the Inheritance Tax Act 1984 (c. 51) where a company acquires any of its own shares (whether by purchase, the issuing of bonus shares or otherwise).

(2) The acquisition of any of those shares by the company is not to be treated as the acquisition of an asset.

(3) The company is not, by virtue of the acquisition or holding of any of those shares or its being entered in the company's register of members in respect of any of them, to be treated as a member of itself.

(4) Subject to subsection (5)—

(a) the company's issued share capital is to be treated as if it had been reduced by the nominal value of the shares acquired,

(b) such of those shares as are not cancelled on acquisition are to be treated as if they had been so cancelled, and

(c) any subsequent cancellation by the company of any of those shares is to be disregarded (and, accordingly, is not the disposal of an asset and does not give rise to an allowable loss within the meaning of the Taxation of Chargeable Gains Act 1992 (c. 12)).

(5) Where the shares are issued to the company as bonus shares, subsection (4)(a) and (b) does not apply and the shares are to be treated as if they had not been issued.

(6) Where, disregarding subsections (2) to (5)—

(a) a company holds any of its own shares, and

Changes to legislation: *Finance Act 2003, Section 195 is up to date with all changes known to be in force on or before 14 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(b) the company issues bonus shares in respect of those shares or any class of those shares ("the existing shares"),

nothing in this section prevents the existing shares being the company's holding of shares for the purposes of the application of section 126 of the Taxation of Chargeable Gains Act 1992 (application of sections 127 to 131 of that Act (company reorganisations etc)).

(7) In subsection (6) the reference to the application of section 126 of the Taxation of Chargeable Gains Act 1992 does not include a reference to the application of that section in a modified form by virtue of any enactment relating to chargeable gains.

(8) Where a company disposes of any of its own shares to a person in circumstances where, but for subsections (2) to (5), it would be regarded as holding the shares immediately before the disposal—

(a) subsections (4)(b) and (c) and (5) cease to apply in relation to the shares disposed of ("the relevant shares"),

(b) the relevant shares are to be treated as having been issued as new shares to that person by the company at the time of the disposal (and not as having been disposed of by the company at that time),

(c) that person is to be treated as having subscribed for the relevant shares,

(d) an amount equal to the amount or value of the consideration (if any) payable for the disposal of the relevant shares is to be treated as the amount subscribed for those shares,

(e) if the amount or value of that consideration does not exceed the nominal value of those shares, the share capital of those shares is to be treated for the purposes of **[**[F1]Part 23 of the Corporation Tax Act 2010**]** as if it were an amount equal to the amount or value of that consideration, and

(f) if the amount or value of that consideration exceeds their nominal value, the relevant shares are to be treated as if they had been issued at a premium representing that excess.

(9) Where—

(a) a company purchases its own shares, and

(b) the price payable by a company for the shares is taken into account in computing the profits of the company which are chargeable to tax **[**[F2]under Chapter 2 of Part 3 of the Corporation Tax Act 2009**]**,

subsections (2) to (7) do not apply and subsection (8) does not apply in relation to any disposal by the company of any of the shares.

(10) Schedule 40 to this Act (which makes amendments relating to the acquisition and disposal by a company of its own shares) has effect.

(11) For the purposes of this section—

(a) a company issues "bonus shares" if it issues share capital as paid up otherwise than by the receipt of new consideration (within the meaning of **[**[F3]section 1115 of the Corporation Tax Act 2010**]**), and

(b) "the Taxes Acts" has the same meaning as in the Taxes Management Act 1970 (c. 9),

and in this section references to a "company" are to a company with a share capital.

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(12) The preceding provisions of this section and the provisions of Schedule 40 to this Act have effect in relation to any acquisition of shares by a company on or after such day as the Treasury may by order made by statutory instrument appoint.

Textual Amendments

F1 Words in s. 195(8)(e) 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. 413(2)** (with Sch. 2)

F2 Words in s. 195(9)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 565** (with Sch. 2 Pts. 1, 2)

F3 Words in s. 195(11)(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. 413(3)** (with Sch. 2)

Commencement Information

I1 S. 195 has effect as specified by The Finance Act 2003, Section 195 and Schedule 40 (Appointed Day) Order 2003 (S.I. 2003/3077), **art. 2**

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Changes and effects yet to be applied to :

- specified provision(s) savings for amendments by 2018 anaw 1, s. 6, Sch. 6 by S.I. 2019/110 reg. 5

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 57(3) inserted by 2011 c. 11 Sch. 22 para. 4
- s. 87(3)(a)(ia) inserted by S.I. 2003/2760 Sch. para. 3(4)(a) (This amendment not applied to legislation.gov.uk. The affecting S.I. is revoked and superseded by S.I. 2003/2816)
- Sch. 12 para. 3(2)(aa) inserted by 2007 asp 3 Sch. 5 para. 32 (This effect was superseded by the repeal of Sch. 12 para. 3 by Finance Act 2008 (c. 9), s. 129(4), Sch. 43 para. 16)
- Sch. 12 para. 1A inserted by 2007 c. 15 Sch. 13 para. 147(2) (The amending provision was repealed before coming into force.)
- Sch. 12 para. 1A omitted by 2008 c. 9 Sch. 43 para. 9 (The amending provision was repealed before coming into force.)