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SCHEDULES

NINTH SCHEDULE

MISCELLANEOUS RULES APPLICABLE TO CASE VII OF SCHEDULE D

Company amalgamations

- 12 (1) Subject to the following sub-paragraphs, where a company issues shares or debentures to a person in exchange for shares in or debentures of another company, paragraph 10 above shall apply with any necessary adaptations as if the two companies were the same company and the exchange were a reorganisation of its share capital.
- (2) This paragraph shall apply only where the company issuing the shares or debentures has or in consequence of the exchange will have control of the other company, or where the first-mentioned company issues the shares or debentures in exchange for shares as the result of a general offer made to members of the other company or any class of them (with or without exceptions for persons connected with the first-mentioned company), the offer being made in the first instance on a condition such that if it were satisfied the first-mentioned company would have control of the other company.
- (3) Except to the extent mentioned in sub-paragraph (4) below, this paragraph shall not apply in relation to an issue of shares or debentures to a person in exchange for shares in respect of which—
- (a) he is liable to a charge by virtue of section fourteen of this Act by reason of a gain accruing to him on that disposal of those shares or would be so liable if he had acquired the shares more than six months previously ; and
 - (b) he would not, if this paragraph did apply, be liable to a greater charge by virtue of sub-paragraph (4) of paragraph 10 above:

Provided that this sub-paragraph shall not have effect in relation to an issue of shares where the company issuing the shares and his holding in it are or in consequence of the issue will be such that on his afterwards disposing of those shares without there having been any alteration in the share holdings in or assets of that or any other company he might in respect of the gain (if any) accruing to him on that disposal be liable to a charge under section fourteen of this Act.

- (4) In a case within sub-paragraph (3) above this paragraph shall apply so as to treat the original shares and the new holding as one asset for the purpose of determining the time at which the new holding is, in relation to any disposal, to be treated as having been acquired ; and the person in question shall not be liable in respect of his disposal of the original shares to any greater charge than that mentioned in paragraph (a) of that sub-paragraph, nor shall any loss accruing on the disposal be allowable under Case VII.
- 13 (1) Where under any arrangement between a company and the persons holding shares in or debentures of the company or any class of such shares or debentures, being

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an arrangement entered into for the purposes of or in connection with a scheme of reconstruction or amalgamation, another company issues shares or debentures to those persons in respect of and in proportion to (or as nearly as may be in proportion to) their holdings of the first-mentioned shares or debentures, but the first-mentioned shares or debentures are either retained by those persons or cancelled, then those persons shall be treated as exchanging the first-mentioned shares or debentures for those held by them in consequence of the arrangement (any shares or debentures retained being for this purpose regarded as if they had been cancelled and replaced by a new issue):

Provided that sub-paragraph (2) of paragraph 12 above shall not apply.

- (2) Where any scheme of reconstruction or amalgamation involves the transfer of the whole or part of a company's business to another company, and the first-mentioned company receives no part of the consideration for the transfer (otherwise than by the other company taking over the whole or part of the liabilities of the business), then the first-mentioned company shall not be chargeable under Case VII by reference to the transfer in respect of its acquisition and disposal of any assets included in the transfer.
 - (3) In this paragraph " scheme of reconstruction or amalgamation " means a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies, and references to shares or debentures being retained include their being retained with altered rights or in an altered form, whether as the result of reduction, consolidation, division or otherwise.
- 14 (1) This paragraph shall apply where a business is transferred to a company as a going concern together with the whole assets of the business or with the whole of those assets other than cash, and is so transferred wholly or partly in exchange for shares issued by the company to the person transferring the business.
- (2) The person transferring the business shall not be chargeable by reference to the transfer in respect of his acquisition and disposal of any asset included in the transfer, in so far as the consideration for it consists of shares so issued ; and where apart from this paragraph he would be so chargeable in the case of any asset, it and such of the shares so issued as represent the consideration for it shall be treated as the same asset acquired as the original asset was acquired (shares representing the consideration for land being accordingly treated as land for purposes of subsection (2) of section ten of this Act).
 - (3) The person transferring the business shall not by reference to the issue to him of the shares be chargeable in respect of any acquisition and disposal of shares representing consideration for the transfer, except in the case of shares representing the consideration for cash included in the transfer or of shares treated under sub-paragraph (2) above as being the same asset as an asset so included ; but the foregoing provision shall not affect any charge under section fourteen of this Act, and in relation to shares to which this sub-paragraph applies, sub-paragraph (5) of paragraph 8 of this Schedule and any other provision of this Act referring to assets acquired as legatee shall have effect as it has effect in relation to shares so acquired.
 - (4) For the purposes of this paragraph the consideration for the transfer of the business (where it does not consist wholly of shares of a single class) shall be allocated between the transfer and any other matter for which it is given, and between the assets included in the transfer, as follows:—

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- (a) any part of the consideration consisting of liabilities of the business taken over with the business shall be treated so far as may be as consideration for the transfer, and as consideration for any cash included in the transfer ; and
- (b) any part of the consideration not consisting of any such liabilities nor of shares issued as mentioned in sub-paragraph (1) above shall as far as may be—
 - (i) be treated as consideration for matters other than the transfer ; and
 - (ii) so far as it is not so treated, be treated as consideration for assets in the case of which the person making the transfer is (apart from sub-paragraph (2) above) chargeable by reference to the transfer in respect of his acquisition and disposal of them ; and
- (c) subject to paragraphs (a) and (b) above, the consideration of any description shall (so far as necessary) be allocated between items rateably according to their amounts after taking account of any prior allocation thereto under those paragraphs.