



# Finance Act 1960

## 1960 CHAPTER 44

### PART II

#### INCOME TAX

#### **23 Application of ss. 21 and 22 to sales of shares in holding companies**

- (1) Subject to the provisions of this section, where—
- a company (" the first company ") is such that section twenty-one of this Act, or that section as extended by subsection (1) of section twenty-two of this Act, would apply if shares in the company were sold to a person who has, or in consequence of the sale would have, control of the company; and
  - shares in that company belong (either directly or through a nominee) to another company (" the second company "); and
  - shares in the second company are at any time (" the relevant time ") sold to a person who has, or in consequence of the sale will have, control of the first company; and
  - all the issued shares in the second company at the relevant time are of the same nature and carry the same rights,
- the appropriate number of shares in the first company shall be treated for the purposes of the said section twenty-one and of subsection (1) of the said section twenty-two as having been sold at the relevant time to the person mentioned in paragraph (c) of this subsection by the seller of the shares mentioned in that paragraph for a consideration equal to the amount specified in subsection (3) of this section.
- (2) For the purposes of the foregoing subsection, the appropriate number of shares in the first company is the number arrived at by multiplying the total number of shares in the first company which at the relevant time belonged (as aforesaid) to the second company by the fraction of which the numerator is the number of shares in the second company sold as mentioned in paragraph (c) of that subsection and the denominator is the total number of the issued shares in the second company at the relevant time.
- (3) The amount referred to in subsection (1) of this section is the amount of the consideration for the sale mentioned in paragraph (c) of subsection (1) of this section—

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*Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.*

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- (a) reduced by the amount arrived at by multiplying by the fraction specified in the foregoing subsection any excess of the value specified in the following subsection over the aggregate liabilities of the second company at the relevant time, or
  - (b) increased by the amount arrived at by multiplying by the said fraction any excess of the said aggregate liabilities over the said value.
- (4) The value referred to in the foregoing subsection is the value at the relevant time of all the assets of the second company other than the shares in the first company belonging (as aforesaid) to it at that time, ascertained as on a sale in the open market.
- (5) Where, in the circumstances described in paragraphs (a) to (c) of subsection (1) of this section, all the issued shares in the second company at the relevant time are not of the same nature or do not carry the same rights, the foregoing provisions of this section shall have effect as if paragraph (d) of subsection (1) were omitted and for the fraction specified in subsection (2) there were substituted such fraction as may be just having regard to the number and nature of the shares in the second company which were sold as mentioned in the said paragraph (c) and the rights attaching thereto, as compared with the number and nature of all the issued shares in the second company at the relevant time and the rights or different rights attaching thereto, any reference to the first-mentioned fraction being construed accordingly.
- (6) Where, in the circumstances described in paragraphs (a) to (c) of subsection (1) of this section—
- (a) the second company is itself such a company as is mentioned in the said paragraph (a), and
  - (b) the person to whom the shares in the second company are sold has, or in consequence of the sale will have, control of the second company,
- the provisions of section twenty-one and, where applicable, of subsection (1) of section twenty-four of this Act, and the foregoing provisions of this section, shall all apply.
- (7) Where, instead of shares in the second company being sold as mentioned in paragraph (c) of subsection (1) of this section, the sale is of shares in a company ("the last company") which, through a series of companies, has an indirect interest in the shares of the first company, the foregoing provisions of this section shall apply with such modifications as may be necessary in relation to each company (being either the first company, the last company, or one of the series of companies) of which the person to whom the shares in the last company are sold either has control at the time of the sale or will have control in consequence of it.