

SCHEDULE 17

RECONSTRUCTION AND ACQUISITION RELIEFS

PART 2

RECONSTRUCTION RELIEF

Reconstruction relief

- 2 (1) Where—
- (a) a company (“the acquiring company”) acquires the whole or part of the undertaking of another company (“the target company”) in pursuance of a scheme for the reconstruction of the target company, and
 - (b) the first and second conditions specified below are met,
- a land transaction entered into for the purposes of or in connection with the transfer of the undertaking or part is relieved from tax.
- (2) Relief under this paragraph is referred to in this Schedule as “reconstruction relief”.
- (3) The first condition is that the consideration for the acquisition consists wholly or partly of the issue of non-redeemable shares in the acquiring company to all the shareholders of the target company.
- (4) Where the consideration for the acquisition consists partly of the issue of non-redeemable shares, that condition is met only if the rest of the consideration consists wholly of the assumption or discharge by the acquiring company of liabilities of the target company.
- (5) In sub-paragraphs (3) and (4), “non-redeemable shares” means shares that are not redeemable shares.
- (6) The second condition is that after the acquisition has been made—
- (a) each shareholder of each of the companies is a shareholder of the other, and
 - (b) the proportion of shares of one of the companies held by any shareholder is the same, or as nearly as may be the same, as the proportion of shares of the other company held by that shareholder.
- (7) If immediately before the acquisition the target company or the acquiring company holds any of its own shares, the shares are to be treated for the purposes of sub-paragraphs (3) and (6) as having been cancelled before the acquisition (and, accordingly, the company is to be treated as if it were not a shareholder of itself).
- (8) This paragraph is subject to paragraph 5 (withdrawal of reconstruction or acquisition relief).