

SCHEDULE 17

RECONSTRUCTION AND ACQUISITION RELIEFS

PART 4

WITHDRAWAL OF RECONSTRUCTION OR ACQUISITION RELIEF

Withdrawal of reconstruction or acquisition relief on subsequent non-exempt transfer

- 7 (1) Reconstruction or acquisition relief in relation to a relieved transaction, or an appropriate proportion of it, is withdrawn and tax is chargeable in accordance with this paragraph in the following cases.
- (2) The first case is where paragraph 6(4) (change of control of acquiring company as a result of exempt intra-group transfer) has effect to prevent the withdrawal of reconstruction or acquisition relief on a change of control of the acquiring company, but—
- (a) a company holding shares in the acquiring company to which the exempt intra-group transfer related, or that are derived from shares to which that transfer related, ceases to be a member of the same group as the target company—
 - (i) before the end of the period of 3 years beginning with the effective date of the relieved transaction, or
 - (ii) in pursuance of or in connection with arrangements made before the end of that period, and
 - (b) the acquiring company or a relevant associated company, at that time (“the relevant time”), holds a chargeable interest—
 - (i) that was transferred to the acquiring company by the relieved transaction, or
 - (ii) that is derived from an interest that was so transferred,and that has not subsequently been transferred at market value by a chargeable transaction in relation to which reconstruction or acquisition relief was available but was not claimed.
- (3) The second case is where paragraph 6(7) (change of control of acquiring company as a result of a transfer to which share acquisition relief applies) has effect to prevent the withdrawal of reconstruction or acquisition relief on a change of control of the acquiring company, but—
- (a) control of the other company mentioned in that provision changes—
 - (i) before the end of the period of 3 years beginning with the effective date of the relieved transaction, or
 - (ii) in pursuance of or in connection with arrangements made before the end of that period,at a time when that company holds any shares transferred to it by the exempt transfer, or any shares derived from shares so transferred, and
 - (b) the acquiring company or a relevant associated company, at that time (“the relevant time”), holds a chargeable interest—
 - (i) that was transferred to the acquiring company by the relieved transaction, or

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- (ii) that is derived from an interest that was so transferred,
and that has not subsequently been transferred at market value by a chargeable transaction in relation to which reconstruction or acquisition relief was available but was not claimed.
- (4) The amount chargeable is the tax that would have been chargeable in respect of the relieved transaction but for reconstruction or acquisition relief if the chargeable consideration for that transaction had been an amount equal to the market value of the subject-matter of the transaction or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
- (5) In sub-paragraphs (1) and (4), “an appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relieved transaction and what is held at the relevant time by the acquiring company or, as the case may be, by that company and any relevant associated companies.
- (6) In this paragraph, “relevant associated company”, in relation to the acquiring company, means a company—
- (a) that is controlled by the acquiring company immediately before the control of that company changes, and
 - (b) of which control changes in consequence of the change of control of that company.
- (7) In this paragraph—
- (a) “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable;
 - (b) “control” is to be construed in accordance with sections 450 and 451 of the [Corporation Tax Act 2010 \(c. 4\)](#);
 - (c) references to control of a company changing are to the company becoming controlled—
 - (i) by a different person,
 - (ii) by a different number of persons, or
 - (iii) by two or more persons at least one of whom is not the person, or one of the persons, by whom the company was previously controlled.