

SCHEDULE 11
RECONSTRUCTION RELIEF AND ACQUISITION RELIEF

PART 2

RECONSTRUCTION RELIEF

The relief

- 2 A land transaction is exempt from charge if—
- (a) it is entered into for the purposes of or in connection with the transfer of an undertaking or part of an undertaking, and
 - (b) the qualifying conditions are met.

Qualifying conditions

- 3 The qualifying conditions are—
- (a) that 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,
 - (b) that the consideration for the acquisition consists wholly or partly of the issue of non-redeemable shares in the acquiring company to all shareholders of the target company,
 - (c) that after the acquisition has been made—
 - (i) each shareholder of each of the companies is a shareholder of the other, and
 - (ii) 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,
 - (d) that the acquisition—
 - (i) is effected for bona fide commercial reasons, and
 - (ii) does not form part of arrangements the main purpose, or one of the main purposes, of which is the avoidance of liability to the tax.
- 4 Where the consideration for the acquisition consists partly of the issue of non-redeemable shares as mentioned in the qualifying condition (b), 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 If, immediately before the acquisition, the target company or the acquiring company holds any of its own shares, the shares are treated for the purposes of qualifying conditions (c) and (d) as having been cancelled before the acquisition (and, accordingly, the company is to be treated as if it were not a shareholder of itself).