



Finance Act 1986

1986 CHAPTER 41

PART III

STAMP DUTY

Reconstructions and acquisitions

[^{F1}77A Disqualifying arrangements

- (1) This section applies for the purposes of section 77(3)(i).
- (2) Arrangements are “disqualifying arrangements” if it is reasonable to assume that the purpose, or one of the purposes, of the arrangements is to secure that—
 - (a) a particular person obtains control of the acquiring company, or
 - (b) particular persons together obtain control of that company.

[^{F2}but a person who has held at least 25% of the issued share capital of the target company at all times during the relevant period is not within paragraph (a) or (b).]

[For the purposes of subsection (2) the “relevant period” is the period of 3 years ending ^{F3}(2A) immediately before the time at which the shares in the acquiring company are issued (or first issued) as consideration for the acquisition.]
- (3) ^{F4}... neither of the following are disqualifying arrangements—
 - (a) the arrangements for the issue of shares in the acquiring company which is the consideration for the acquisition mentioned in section 77(3);
 - (b) any relevant merger arrangements.
- (4) In subsection (3) “relevant merger arrangements” means arrangements for the issue of shares in the acquiring company to the shareholders of a company (“company B”) other than the target company (“company A”) in a case where—
 - (a) that issue of shares to the shareholders of company B would be the only consideration for the acquisition by the acquiring company of the whole of the issued share capital of company B,

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 1986, Section 77A. (See end of Document for details)*

- (b) the conditions in section 77(3)(c) and (e) would be met in relation to that acquisition (if that acquisition were made in accordance with the arrangements), and
- (c) the conditions in paragraphs (f) to (h) of section 77(3) would be met in relation to that acquisition if—
 - (i) that acquisition were made in accordance with the arrangements, and
 - (ii) the shares in the acquiring company issued as consideration for the acquisition of the share capital of company A were ignored for the purposes of those paragraphs;

and in section 77(3)(e) to (h) and (3A) as they apply by virtue of this subsection, references to the target company are to be read as references to company B.

(5) Where—

- (a) arrangements within any paragraph of subsection (3) are part of a wider scheme or arrangement, and
- (b) that scheme or arrangement includes other arrangements which—
 - (i) fall within subsection (2), and
 - (ii) do not fall within any paragraph of subsection (3),
 those other arrangements are disqualifying arrangements despite anything in subsection (3).

[The Treasury may by regulations amend subsection (2) or (2A) so as to alter the ^{F5}(5A) percentage or length of the period for the time being specified there.

(5B) The power to make regulations under subsection (5A) is exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.]

(6) In this section—

- “the acquiring company” has the meaning given by section 77(1);
- “arrangements” includes any agreement, understanding or scheme (whether or not legally enforceable);
- “control” is to be read in accordance with section 1124 of the Corporation Tax Act 2010;
- “the target company” has the meaning given by section 77(1).]

Textual Amendments

- F1** S. 77A inserted (with effect in accordance with s. 137(6) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 137\(5\)](#)
- F2** Words in s. 77A(2) inserted (with effect in accordance with s. 79(6) of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [s. 79\(2\)](#)
- F3** S. 77A(2A) inserted (with effect in accordance with s. 79(6) of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [s. 79\(3\)](#)
- F4** Word in s. 77A(3) omitted (with effect in accordance with s. 79(6) of the amending Act) by virtue of [Finance Act 2020 \(c. 14\)](#), [s. 79\(4\)](#)
- F5** S. 77A(5A)(5B) inserted (with effect in accordance with s. 79(6) of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [s. 79\(5\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1986, Section 77A.