

# Finance Act 1986

#### **1986 CHAPTER 41**

#### **PART III**

#### STAMP DUTY

Reconstructions and acquistions

## [F177A 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.

[F2but 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 <sup>F3</sup>(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,

- (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 <sup>F5</sup>(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.