



Taxation of Chargeable Gains Act 1992

1992 CHAPTER 12

PART II

GENERAL PROVISIONS RELATING TO COMPUTATION OF GAINS AND ACQUISITIONS AND DISPOSALS OF ASSETS

CHAPTER II

ASSETS AND DISPOSALS OF ASSETS

General provisions

21 Assets and disposals.

- (1) All forms of property shall be assets for the purposes of this Act, whether situated in the United Kingdom or not, including—
 - (a) options, debts and incorporeal property generally, and
 - (b) any currency other than sterling, and
 - (c) any form of property created by the person disposing of it, or otherwise coming to be owned without being acquired.
- (2) For the purposes of this Act—
 - (a) references to a disposal of an asset include, except where the context otherwise requires, references to a part disposal of an asset, and
 - (b) there is a part disposal of an asset where an interest or right in or over the asset is created by the disposal, as well as where it subsists before the disposal, and generally, there is a part disposal of an asset where, on a person making a disposal, any description of property derived from the asset remains undisposed of.

Status: Point in time view as at 06/11/2000.

Changes to legislation: Taxation of Chargeable Gains Act 1992, Chapter II is up to date with all changes known to be in force on or before 24 May 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

Modifications etc. (not altering text)

C1 S. 21(2) applied (8.11.1995) by [Atomic Energy Authority Act 1995 \(c. 37\)](#), [Sch. 3 para. 4\(2\)](#)

22 Disposal where capital sums derived from assets.

- (1) Subject to sections 23 and 26(1), and to any other exceptions in this Act, there is for the purposes of this Act a disposal of assets by their owner where any capital sum is derived from assets notwithstanding that no asset is acquired by the person paying the capital sum, and this subsection applies in particular to—
- (a) capital sums received by way of compensation for any kind of damage or injury to assets or for the loss, destruction or dissipation of assets or for any depreciation or risk of depreciation of an asset,
 - (b) capital sums received under a policy of insurance of the risk of any kind of damage or injury to, or the loss or depreciation of, assets,
 - (c) capital sums received in return for forfeiture or surrender of rights, or for refraining from exercising rights, and
 - (d) capital sums received as consideration for use or exploitation of assets.
- (2) In the case of a disposal within paragraph (a), (b), (c) or (d) of subsection (1) above, the time of the disposal shall be the time when the capital sum is received as described in that subsection.
- (3) In this section “capital sum” means any money or money’s worth which is not excluded from the consideration taken into account in the computation of the gain.

Modifications etc. (not altering text)

C2 S. 22 excluded (27.7.1993) by [1993 c. 37, s. 12](#), [Sch. 2 Pt. I para.17](#)

23 Receipt of compensation and insurance money not treated as a disposal.

- (1) If the recipient so claims, receipt of a capital sum within paragraph (a), (b), (c) or (d) of section 22(1) derived from an asset which is not lost or destroyed shall not be treated for the purposes of this Act as a disposal of the asset if—
- (a) the capital sum is wholly applied in restoring the asset, or
 - (b) (subject to subsection (2) below), the capital sum is applied in restoring the asset except for a part of the capital sum which is not reasonably required for the purpose and which is small as compared with the whole capital sum, or
 - (c) (subject to subsection (2) below), the amount of the capital sum is small, as compared with the value of the asset,
- but, if the receipt is not treated as a disposal, all sums which would, if the receipt had been so treated, have been brought into account as consideration for that disposal in the computation of the gain shall be deducted from any expenditure allowable under Chapter III of this Part as a deduction in computing a gain on the subsequent disposal of the asset.
- (2) If the allowable expenditure is less than the consideration for the disposal constituted by the receipt of the capital sum (or is nil)—
- (a) paragraphs (b) and (c) of subsection (1) above shall not apply, and

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- (b) if the recipient so elects (and there is any allowable expenditure)—
 - (i) the amount of the consideration for the disposal shall be reduced by the amount of the allowable expenditure, and
 - (ii) none of that expenditure shall be allowable as a deduction in computing a gain accruing on the occasion of the disposal or any subsequent occasion.

In this subsection “allowable expenditure” means expenditure which, immediately before the disposal, was attributable to the asset under paragraphs (a) and (b) of section 38(1).

- (3) If, in a case not falling within subsection (1)(b) above, a part of a capital sum within paragraph (a) or paragraph (b) of section 22(1) derived from an asset which is not lost or destroyed is applied in restoring the asset, then if the recipient so claims, that part of the capital sum shall not be treated as consideration for the disposal deemed to be effected on receipt of the capital sum but shall be deducted from any expenditure allowable under Chapter III of this Part as a deduction in computing a gain on the subsequent disposal of the asset.
- (4) If an asset is lost or destroyed and a capital sum received by way of compensation for the loss or destruction, or under a policy of insurance of the risk of the loss or destruction, is within one year of receipt, or such longer period as the inspector may allow, applied in acquiring an asset in replacement of the asset lost or destroyed the owner shall if he so claims be treated for the purposes of this Act—
 - (a) as if the consideration for the disposal of the old asset were (if otherwise of a greater amount) of such amount as would secure that on the disposal neither a gain nor a loss accrues to him, and
 - (b) as if the amount of the consideration for the acquisition of the new asset were reduced by the excess of the amount of the capital sum received by way of compensation or under the policy of insurance, together with any residual or scrap value, over the amount of the consideration which he is treated as receiving under paragraph (a) above.
- (5) A claim shall not be made under subsection (4) above if part only of the capital sum is applied in acquiring the new asset but if all of that capital sum except for a part which is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal of the old asset is so applied, then the owner shall if he so claims be treated for the purposes of this Act—
 - (a) as if the amount of the gain so accruing were reduced to the amount of the said part (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain), and
 - (b) as if the amount of the consideration for the acquisition of the new asset were reduced by the amount by which the gain is reduced under paragraph (a) of this subsection.
- ^{F1}(6) If a building (“the old building”) is destroyed or irreparably damaged, and all or part of a capital sum received by way of compensation for the destruction or damage, or under a policy of insurance of the risk of the destruction or damage, is applied by the recipient in constructing or otherwise acquiring a replacement building situated on other land (“the new building”), then for the purposes of subsections (4) and (5) above each of the old building and the new building shall be regarded as an asset separate from the land on which it is or was situated and the old building shall be treated as lost or destroyed.

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- (7) For the purposes of subsection (6) above:
- (a) references to a building include references to any permanent or semi-permanent structure in the nature of a building; and
 - (b) the reference to a sum applied in acquiring the new building does not include a reference to a sum applied in acquiring the land on which the new building is situated; and
 - (c) all necessary apportionments shall be made of any expenditure, compensation or consideration, and the method of apportionment shall be such as is just and reasonable.
- (8) This section shall apply in relation to a wasting asset with the following modifications:
- (a) paragraphs (b) and (c) of subsection (1) above, and subsection (2) above, shall not apply; and
 - (b) in subsections (1) and (3) above, the amount of the expenditure from which the deduction is to be made shall be the amount which would have been allowable under Chapter III of this Part if the asset had been disposed of immediately after the application of the capital sum.]

Textual Amendments

- F1** S. 23(6)(7)(8) substituted for s. 23(6) (with effect in accordance with Sch. 39 para. 3(3) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 39 para. 3\(2\)](#)

Modifications etc. (not altering text)

- C3** S. 23(4) modified (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 3\(1\)\(3\)](#)
- C4** S. 23(4) modified (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 3\(1\)-\(3\)](#) (with [Sch. 4 para. 14](#)); S.I. 1994/2189, art. 2, Sch.
- C5** S. 23(4)(5) modified (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 10\(1\)\(3\)](#) (with [Sch. 7 para. 9\(1\)](#))
- C6** S. 23(5) modified (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 3\(2\)\(3\)](#)
- C7** S. 23(5) modified (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 3\(1\)-\(3\)](#) (with [Sch. 4 para. 14](#)); S.I. 1994/2189, art. 2, Sch.

24 Disposals where assets lost or destroyed, or become of negligible value.

- (1) Subject to the provisions of this Act and, in particular to section 144, the occasion of the entire loss, destruction, dissipation or extinction of an asset shall, for the purposes of this Act, constitute a disposal of the asset whether or not any capital sum by way of compensation or otherwise is received in respect of the destruction, dissipation or extinction of the asset.
- [^{F2}(2) Where the owner of an asset which has become of negligible value makes a claim to that effect:
- (a) this Act shall apply as if the claimant had sold, and immediately reacquired, the asset at the time of the claim or (subject to paragraphs (b) and (c) below) at any earlier time specified in the claim, for a consideration of an amount equal to the value specified in the claim.
 - (b) An earlier time may be specified in the claim if:

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- (i) the claimant owned the asset at the earlier time; and
 - (ii) the asset had become of negligible value at the earlier time; and either
 - (iii) for capital gains tax purposes the earlier time is not more than two years before the beginning of the year of assessment in which the claim is made; or
 - (iv) for corporation tax purposes the earlier time is on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.
- (c) Section 93 of and Schedule 12 to the Finance Act 1994 (indexation losses and transitional relief) shall have effect in relation to an asset to which this section applies as if the sale and reacquisition occurred at the time of the claim and not at any earlier time.]
- (3) For the purposes of subsections (1) and (2) above, a building and any permanent or semi-permanent structure in the nature of a building may be regarded as an asset separate from the land on which it is situated, but where either of those subsections applies in accordance with this subsection, the person deemed to make the disposal of the building or structure shall be treated as if he had also sold, and immediately reacquired, the site of the building or structure (including in the site any land occupied for purposes ancillary to the use of the building or structure) for a consideration equal to its market value at that time.

Textual Amendments

- F2** S. 24(2) substituted (with effect in accordance with Sch. 39 para. 4(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 39 para. 4\(1\)](#)

25 Non-residents: deemed disposals.

- (1) Where an asset ceases by virtue of becoming situated outside the United Kingdom to be a chargeable asset in relation to a person, he shall be deemed for all purposes of this Act—
- (a) to have disposed of the asset immediately before the time when it became situated outside the United Kingdom, and
 - (b) immediately to have reacquired it,
- at its market value at that time.
- (2) Subsection (1) above does not apply—
- (a) where the asset becomes situated outside the United Kingdom contemporaneously with the person there mentioned ceasing to carry on a trade in the United Kingdom through a branch or agency, or
 - (b) where the asset is an exploration or exploitation asset.
- (3) Where an asset ceases to be a chargeable asset in relation to a person by virtue of his ceasing to carry on a trade in the United Kingdom through a branch or agency, he shall be deemed for all purposes of this Act—
- (a) to have disposed of the asset immediately before the time when he ceased to carry on the trade in the United Kingdom through a branch or agency, and
 - (b) immediately to have reacquired it,
- at its market value at that time.

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[^{F3}(3A) Subsection (3) above shall not apply if—

- (a) the person ceasing to carry on the trade is a company, and
- (b) the trade is transferred to another company in circumstances in which section 139 or 171 applies in relation to the assets transferred.]

^{F4}(4)

(5) Subsection (3) above does not apply to an asset which is a chargeable asset in relation to the person there mentioned at any time after he ceases to carry on the trade in the United Kingdom through a branch or agency and before the end of the chargeable period in which he does so.

(6) In this section—

“exploration or exploitation asset” means an asset used in connection with exploration or exploitation activities carried on in the United Kingdom or a designated area, and

“designated area” and “exploration or exploitation activities” have the same meanings as in section 276.

(7) For the purposes of this section an asset is at any time a chargeable asset in relation to a person if, were it to be disposed of at that time, any chargeable gains accruing to him on the disposal—

- (a) would be gains in respect of which he would be chargeable to capital gains tax under section 10(1), or
- (b) would form part of his chargeable profits for corporation tax purposes by virtue of section 10(3).

(8) This section shall apply as if references to a trade included references to a profession or vocation.

Textual Amendments

F3 S. 25(3A) inserted (with effect in accordance with Sch. 29 para. 6(4) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 29 para. 6\(2\)](#) (with [Sch. 29 para. 46\(5\)](#))

F4 S. 25(4) repealed (with effect in accordance with Sch. 29 para. 6(5), Sch. 40 Pt. 2(12) Note 3 of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 29 para. 6\(3\)](#), [Sch. 40 Pt. II\(12\)](#) (with [Sch. 29 para. 46\(5\)](#))

26 Mortgages and charges not to be treated as disposals.

(1) The conveyance or transfer by way of security of an asset or of an interest or right in or over it, or transfer of a subsisting interest or right by way of security in or over an asset (including a retransfer on redemption of the security), shall not be treated for the purposes of this Act as involving any acquisition or disposal of the asset.

(2) Where a person entitled to an asset by way of security or to the benefit of a charge or incumbrance on an asset deals with the asset for the purpose of enforcing or giving effect to the security, charge or incumbrance, his dealings with it shall be treated for the purposes of this Act as if they were done through him as nominee by the person entitled to it subject to the security, charge or incumbrance; and this subsection shall apply to the dealings of any person appointed to enforce or give effect to the security,

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charge or incumbrance as receiver and manager or judicial factor as it applies to the dealings of the person entitled as aforesaid.

- (3) An asset shall be treated as having been acquired free of any interest or right by way of security subsisting at the time of any acquisition of it, and as being disposed of free of any such interest or right subsisting at the time of the disposal; and where an asset is acquired subject to any such interest or right the full amount of the liability thereby assumed by the person acquiring the asset shall form part of the consideration for the acquisition and disposal in addition to any other consideration.

27 Disposals in cases of hire-purchase and similar transactions.

A hire-purchase or other transaction under which the use and enjoyment of an asset is obtained by a person for a period at the end of which the property in the asset will or may pass to that person shall be treated for the purposes of this Act, both in relation to that person and in relation to the person from whom he obtains the use and enjoyment of the asset, as if it amounted to an entire disposal of the asset to that person at the beginning of the period for which he obtains the use and enjoyment of the asset, but subject to such adjustments of tax, whether by way of repayment or discharge of tax or otherwise, as may be required where the period for which that person has the use and enjoyment of the asset terminates without the property in the asset passing to him.

28 Time of disposal and acquisition where asset disposed of under contract.

- (1) Subject to section 22(2), and subsection (2) below, where an asset is disposed of and acquired under a contract the time at which the disposal and acquisition is made is the time the contract is made (and not, if different, the time at which the asset is conveyed or transferred).
- (2) If the contract is conditional (and in particular if it is conditional on the exercise of an option) the time at which the disposal and acquisition is made is the time when the condition is satisfied.

Modifications etc. (not altering text)

- C8** S. 28 extended (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 2\(2\)](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.
- C9** S. 28 applied (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 24\(9\)](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.

Value shifting

29 General provisions.

- (1) Without prejudice to the generality of the provisions of this Act as to the transactions which are disposals of assets, any transaction which under the following subsections is to be treated as a disposal of an asset—
- (a) shall be so treated (with a corresponding acquisition of an interest in the asset) notwithstanding that there is no consideration, and
 - (b) so far as, on the assumption that the parties to the transaction were at arm's length, the party making the disposal could have obtained consideration, or

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additional consideration, for the disposal, shall be treated as not being at arm's length and the consideration so obtainable, or the additional consideration so obtainable added to the consideration actually passing, shall be treated as the market value of what is acquired.

- (2) If a person having control of a company exercises his control so that value passes out of shares in the company owned by him or a person with whom he is connected, or out of rights over the company exercisable by him or by a person with whom he is connected, and passes into other shares in or rights over the company, that shall be a disposal of the shares or rights out of which the value passes by the person by whom they were owned or exercisable.
- (3) A loss on the disposal of an asset shall not be an allowable loss to the extent to which it is attributable to value having passed out of other assets, being shares in or rights over a company which by virtue of the passing of value are treated as disposed of under subsection (2) above.
- (4) If, after a transaction which results in the owner of land or of any other description of property becoming the lessee of the property there is any adjustment of the rights and liabilities under the lease, whether or not involving the grant of a new lease, which is as a whole favourable to the lessor, that shall be a disposal by the lessee of an interest in the property.
- (5) If an asset is subject to any description of right or restriction the extinction or abrogation, in whole or in part, of the right or restriction by the person entitled to enforce it shall be a disposal by him of the right or restriction.

30 Tax-free benefits.

- (1) This section has effect as respects the disposal of an asset if a scheme has been effected or arrangements have been made (whether before or after the disposal) whereby—
 - (a) the value of the asset or a relevant asset has been materially reduced, and
 - (b) a tax-free benefit has been or will be conferred—
 - (i) on the person making the disposal or a person with whom he is connected, or
 - (ii) subject to subsection (4) below, on any other person.
- (2) For the purposes of this section, where the asset disposed of by a company (“the disposing company”) consists of shares in, or securities of, another company, another asset is a relevant asset if, at the time of the disposal, it is owned by a company associated with the disposing company; but no account shall be taken of any reduction in the value of a relevant asset except in a case where—
 - (a) during the period beginning with the reduction in value and ending immediately before the disposal by the disposing company, there is no disposal of the asset to any person, other than a disposal falling within section 171(1),
 - (b) no disposal of the asset is treated as having occurred during that period by virtue of section ^{F5}... 179, and
 - (c) if the reduction had not taken place but any consideration given for the relevant asset and any other material circumstances (including any consideration given before the disposal for the asset disposed of) were unchanged, the value of the asset disposed of would, at the time of the disposal, have been materially greater;

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and in this subsection “securities” has the same meaning as in section 132.

- (3) For the purposes of subsection (1)(b) above a benefit is conferred on a person if he becomes entitled to any money or money’s worth or the value of any asset in which he has an interest is increased or he is wholly or partly relieved from any liability to which he is subject; and a benefit is tax-free unless it is required, on the occasion on which it is conferred on the person in question, to be brought into account in computing his income, profits or gains for the purposes of income tax, capital gains tax or corporation tax.
- (4) This section shall not apply by virtue of subsection (1)(b)(ii) above [^{F6}in a case where] avoidance of tax was not the main purpose or one of the main purposes of the scheme or arrangements in question.
- (5) Where this section has effect in relation to any disposal, any allowable loss or chargeable gain accruing on the disposal shall be calculated as if the consideration for the disposal were increased by such amount as [^{F7}is] just and reasonable having regard to the scheme or arrangements and the tax-free benefit in question.
- (6) Where—
 - (a) by virtue of subsection (5) above the consideration for the disposal of an asset has been treated as increased, and
 - (b) the benefit taken into account under subsection (1)(b) above was an increase in the value of another asset,
 any allowable loss or chargeable gain accruing on the first disposal of the other asset after the increase in its value shall be calculated as if the consideration for that disposal were reduced by such amount as [^{F8}is] just and reasonable having regard to the scheme or arrangements in question and the increase made in relation to the disposal mentioned in paragraph (a) above.
- (7) References in this section to a disposal do not include references to any disposal falling within section 58(1), 62(4) or 171(1).
- (8) References in this section, in relation to any disposal, to a reduction in the value of an asset, where the asset consists of shares owned by a company in another company, shall be interpreted in accordance with sections 31 to 33 and, in those sections, the disposal, the asset and those companies are referred to respectively as “the section 30 disposal”, “the principal asset”, “the first company” and “the second company”.
- (9) In relation to a case in which the disposal of an asset precedes its acquisition the references in subsections (1)(a) and (2) above to a reduction shall be read as including a reference to an increase.

Textual Amendments

- F5** Words in s. 30(2)(b) repealed (28.7.2000) by [Finance Act 2000 \(c. 17\)](#), [Sch. 40 Pt. II\(12\)](#)
- F6** Words in s. 30(4) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 46](#)
- F7** Word in s. 30(5) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(a\)](#)
- F8** Word in s. 30(6) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(a\)](#)

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Modifications etc. (not altering text)

- C10** S. 30 excluded (retrospective to 5.11.2993) by [Finance Act 1994 \(c. 9\)](#), s. 252(2), [Sch. 24 para. 4\(1\)](#)
- C11** S. 30 excluded (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 4](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.
- C12** S. 30 modified (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 9\(1\)](#)
- C13** S. 30 applied (with modifications) (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 15 para. 71\(3\)](#)
- C14** S. 30 excluded (6.11.2000) by [Postal Services Act 2000 \(c. 26\)](#), s. 130(1), [Sch. 4 para. 6](#); [S.I. 2000/2957](#), art. 2(1), Sch. 1
- C15** S. 30(5) excluded (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 4\(2\)\(3\)](#)
- C16** S. 30(5) excluded (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 9\(3\)](#)

31 Distributions within a group followed by a disposal of shares.

- (1) The references in section 30 to a reduction in the value of an asset, in the case mentioned in subsection (8) of that section, do not include a reduction attributable to the payment of a dividend by the second company at a time when it and the first company are associated, except to the extent (if any) that the dividend is attributable to chargeable profits of the second company and, in such a case, the tax-free benefit shall be ascertained without regard to any part of the dividend that is not attributable to such profits.
- (2) Subsections (3) to (11) below apply for the interpretation of subsection (1) above.
- (3) Chargeable profits shall be ascertained as follows—
 - (a) the distributable profits of any company are chargeable profits of that company to the extent that they are profits arising on a transaction caught by this section, and
 - (b) where any company makes a distribution attributable wholly or partly to chargeable profits (including any profits that are chargeable profits by virtue of this paragraph) to another company, the distributable profits of the other company, so far as they represent that distribution or so much of it as was attributable to chargeable profits, are chargeable profits of the other company, and for this purpose any loss or other amount to be set against the profits of a company in determining the distributable profits shall be set first against profits other than the profits so arising or, as the case may be, representing so much of the distribution as was attributable to chargeable profits.
- (4) The distributable profits of a company are such profits computed on a commercial basis as, after allowing for any provision properly made for tax, the company is empowered, assuming sufficient funds, to distribute to persons entitled to participate in the profits of the company.
- (5) Profits of a company (“company A”) are profits arising on a transaction caught by this section where each of the following 3 conditions is satisfied.
- (6) The first condition is that the transaction is—
 - (a) a disposal of an asset by company A to another company in circumstances such that company A and the other company are treated as mentioned in section 171(1), or

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- (b) an exchange, or a transaction treated for the purposes of section 135(2) and (3) as an exchange, of shares in or debentures of a company held by company A for shares in or debentures of another company, being a company associated with company A immediately after the transaction, and is treated by virtue of section 135(3) as a reorganisation of share capital, or
- (c) a revaluation of an asset in the accounting records of company A.

In the following conditions the “asset with enhanced value” means (subject to section 33), in the paragraph (a) case, the asset acquired by the person to whom the disposal is made, in the paragraph (b) case, the shares in or debentures of the other company and, in the paragraph (c) case, the revalued asset.

- (7) The second condition is that—
 - (a) during the period beginning with the transaction referred to in subsection (6) above and ending immediately before the section 30 disposal, there is no disposal of the asset with enhanced value to any person, other than a disposal falling within section 171(1), and
 - (b) no disposal of the asset with enhanced value is treated as having occurred during that period by virtue of section ^{F9}... 179.
- (8) The third condition is that, immediately after the section 30 disposal, the asset with enhanced value is owned by a person other than the company making that disposal or a company associated with it.
- (9) The conditions in subsections (6) to (8) above are not satisfied if—
 - (a) at the time of the transaction referred to in subsection (6) above, company A carries on a trade and a profit on a disposal of the asset with enhanced value would form part of the trading profits, or
 - (b) by reason of the nature of the asset with enhanced value, a disposal of it could give rise neither to a chargeable gain nor to an allowable loss, or
 - (c) immediately before the section 30 disposal, the company owning the asset with enhanced value carries on a trade and a profit on a disposal of the asset would form part of the trading profits.
- (10) The amount of chargeable profits of a company to be attributed to any distribution made by the company at any time in respect of any class of shares, securities or rights shall be ascertained by—
 - (a) determining the total of distributable profits, and the total of chargeable profits, that remains after allowing for earlier distributions made in respect of that or any other class of shares, securities or rights, and for distributions made at or to be made after that time in respect of other classes of shares, securities or rights, and
 - (b) attributing first to that distribution distributable profits other than chargeable profits.
- (11) The amount of chargeable profits of a company to be attributed to any part of a distribution made at any time to which a person is entitled by virtue of any part of his holding of any class of shares, securities or rights, shall be such proportion of the chargeable profits as are attributable under subsection (10) above to the distributions made at that time in respect of that class as corresponds to that part of his holding.

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Textual Amendments

F9 Words in s. 31(7)(b) repealed (28.7.2000) by [Finance Act 2000 \(c. 17\)](#), [Sch. 40 Pt. II\(12\)](#)

[^{F10} 31A Asset-holding company leaving the group.

- (1) This section applies where profits of a company would be profits arising on a transaction caught by section 31 but for the fact that the condition in section 31(8) is not satisfied.
- (2) The profits shall be treated as profits arising on a transaction caught by section 31 if—
 - (a) subsection (4) or (5) below is satisfied, and
 - (b) subsection (6) below is satisfied.
- (3) In the following provisions of this section—

“the asset-holding company” means, in relation to any particular time, the company which holds the asset with enhanced value at that time,

“the disposal group” means the group of companies of which the company which made the section 30 disposal was a member at the time of the disposal (or a group which, by virtue of section 170(10), is treated as the same as that group), and

“the six-year period” means the period of six years starting with the date of the section 30 disposal.
- (4) This subsection is satisfied if at any time during the six-year period an event occurs which consists in the asset-holding company ceasing to be a member of the disposal group otherwise than by reason of the fact that the principal company of that group becomes a member of another group.
- (5) This subsection is satisfied if—
 - (a) at any time during the six-year period the asset-holding company ceases to be a member of the disposal group by reason only of the fact that the principal company of that group becomes a member of another group, and
 - (b) at any time during that period an event occurs as a result of which there is no member of the disposal group of which the asset-holding company is a 75 per cent. subsidiary or there is no member of that group of which the asset-holding company is an effective 51 per cent. subsidiary.
- (6) This subsection is satisfied if no disposal of the asset with enhanced value is treated as having occurred by virtue of section 179 during the period—
 - (a) beginning with the time of the section 30 disposal, and
 - (b) ending immediately before the event referred to in subsection (4) or (5)(b) above.
- (7) Where section 30 has effect by virtue of this section in relation to a disposal—
 - (a) a chargeable gain of the differential amount shall be treated as accruing to the chargeable company immediately before the event referred to in subsection (4) or (5)(b) above, and
 - (b) subsection (5) of section 30 shall not apply.
- (8) The “differential amount” is A minus B where—

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- (a) A is the amount of the allowable loss or chargeable gain which would have accrued on the section 30 disposal if the consideration for the disposal had been increased in accordance with section 30(5),
 - (b) B is the amount of the allowable loss or chargeable gain which accrued on the section 30 disposal,
 - (c) an allowable loss is treated as a negative amount, and
 - (d) a negative result is treated as a result of nil.
- (9) The “chargeable company” is—
- (a) the company which made the section 30 disposal, or
 - (b) if that company is no longer a member of the disposal group immediately before the event referred to in subsection (4) or (5)(b) above, ^{F11}any other company which—
 - (i) is a member of that group immediately before that event, and
 - (ii) is designated as the chargeable company for the purposes of this section in a notice served on the company by an officer of the Board.]
- (10) A gain which is treated as accruing by virtue of subsection (7) above shall, for the purposes of section 18(3), be treated as a gain accruing on a disposal between the parties to the section 30 disposal made at a time when they are connected persons.
- [Where a notice is served on a company under subsection (9)(b) above, the Inland
- ^{F12}(11) Revenue may make an assessment to tax in the amount which in their opinion ought to be charged under this section.]]

Textual Amendments

- F10** S. 31A inserted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 2](#)
- F11** Words in s. 31A(9)(b) substituted (with effect in accordance with Sch. 29 para. 17(4) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 29 para. 17\(2\)](#) (with [Sch. 29 para. 46\(5\)](#))
- F12** S. 31A(11) added (with effect in accordance with Sch. 29 para. 17(4) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 29 para. 17\(3\)](#) (with [Sch. 29 para. 46\(5\)](#))

32 Disposals within a group followed by a disposal of shares.

- (1) The references in section 30 to a reduction in the value of an asset, in the case mentioned in subsection (8) of that section, do not include a reduction attributable to the disposal of any asset (“the underlying asset”) by the second company at a time when it and the first company are associated, being a disposal falling within section 171(1), except in a case within subsection (2) below.
- (2) A case is within this subsection if the amount or value of the actual consideration for the disposal of the underlying asset—
- (a) is less than the market value of the underlying asset, and
 - (b) is less than the cost of the underlying asset,
- unless the disposal is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to corporation tax.
- (3) For the purposes of subsection (2) above, the cost of an asset owned by a company is the aggregate of—

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- (a) any capital expenditure incurred by the company in acquiring or providing the asset, and
 - (b) any other capital expenditure incurred by the company in respect of the asset while owned by that company.
- (4) For the purposes of this section, where the disposal of the underlying asset is a part disposal, the reference in subsection (2)(a) above to the market value of the underlying asset is to the market value of the asset acquired by the person to whom the disposal is made and the amounts to be attributed to the underlying asset under paragraphs (a) and (b) of subsection (3) above shall be reduced to the appropriate proportion of those amounts, that is—
- (a) the proportion of capital expenditure in respect of the underlying asset properly attributed in the accounting records of the company to the asset acquired by the person to whom the disposal is made, or
 - (b) where paragraph (a) above does not apply, such proportion as [^{F13}is] just and reasonable.
- (5) Where by virtue of a distribution in the course of dissolving or winding up the second company the first company is treated as disposing of an interest in the principal asset, the exception mentioned in subsection (1) above does not apply.

Textual Amendments

F13 Word in s. 32(4)(b) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 47\(b\)](#)

33 Provisions supplementary to sections 30 to 32.

- (1) For the purposes of sections 30(2) and 31(7) to (9), subsections (2) to (6) below apply for the purpose of determining in the case of any asset (“the original asset”) whether it is subsequently disposed of or treated as disposed of or owned or any other condition is satisfied in respect of it.
- [^{F14}(1A) For the purposes of section 31A, subsections (2) to (6) below apply for the purpose of determining any question in relation to the asset with enhanced value.]
- (2) References in sections 30(2)(a) and (b)[^{F15}, 31(7) and 31A(6)] to a disposal are to a disposal other than a part disposal.
- (3) [^{F16}For the purposes of sections 30(2) and 31(7) to (9),] references to an asset are to the original asset or, where at a later time one or more assets are treated by virtue of subsections (5) or (6) below as the same as the original asset—
- (a) if no disposal falling within paragraph (a) or (b) of section 30(2) or, as the case may be, of 31(7) has occurred, those references are to the asset so treated or, as the case may be, all the assets so treated, and
 - (b) in any other case, those references are to an asset or, as the case may be, all the assets representing that part of the value of the original asset that remains after allowing for earlier disposals falling within the paragraphs concerned, references in this subsection to a disposal including a disposal which would fall within the paragraphs concerned but for subsection (2) above.

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- [^{F17}(3A) Subsections (3B) and (3C) below apply (instead of subsection (3) above) for the purposes of section 31A where one or more assets are treated by virtue of subsection (5) or (6) below as the same as the asset with enhanced value.
- (3B) If in the period beginning with the time of the transaction referred to in section 31(6) and ending immediately before the event referred to in section 31A(4) or (5)(b)—
- (a) there is no disposal of the asset with enhanced value to any person other than a disposal falling with section 171(1), and
 - (b) no disposal of the asset with enhanced value is treated as having occurred by virtue of section 179,
- then references to the asset with enhanced value are to the asset which is treated by virtue of subsection (5) or (6) below as the same as that asset or, as the case may be, all the assets so treated.
- (3C) In any other case, references to the asset with enhanced value are to an asset or, as the case may be, all the assets representing that part of the value of the asset with enhanced value that remains after allowing for disposals of a kind mentioned in subsection (3B) (a) or (b).]
- (4) [^{F18}Where by virtue of subsection (3), (3B) or (3C) above references to an asset are taken as references to two or more assets]—
- (a) those assets shall be treated as if they were a single asset,
 - (b) any disposal of any one of them is to be treated as a part disposal, and
 - (c) the reference in section 30(2) to the asset owned at the time of the disposal by a company associated with the disposing company and [^{F19}a reference in section 31(8) or 31A(3)] to the asset with enhanced value is to all or any of those assets.
- (5) Where there is a part disposal of an asset, that asset and the asset acquired by the person to whom the disposal is made are to be treated as the same.
- (6) Where the value of an asset is derived from any other asset in the ownership of the same or an associated company, in a case where assets have been merged or divided or have changed their nature or rights or interests in or over assets have been created or extinguished, the first asset is to be treated as the same as the second.
- (7) For the purposes of section 30(2), where account is to be taken under that subsection of a reduction in the value of a relevant asset and at the time of the disposal by the disposing company referred to in that subsection—
- (a) references to the relevant asset are by virtue of this section references to 2 or more assets treated as a single asset, and
 - (b) one or more but not all of those assets are owned by a company associated with the disposing company,
- the amount of the reduction in the value of the relevant asset to be taken into account by virtue of that subsection shall be reduced to such amount as [^{F20}is] just and reasonable.
- (8) For the purposes of section 31, where—
- (a) a dividend paid by the second company is attributable to chargeable profits of that company, and
 - (b) the condition in subsection (7), (8) or (9)(c) of that section is satisfied by reference to an asset, or assets treated as a single asset, treated by virtue of subsection (3)(b) above as the same as the asset with enhanced value,

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the amount of the reduction in value of the principal asset shall be reduced to such amount as [F²¹is] just and reasonable.

[F²²(8A) In a case where—

- (a) profits are treated as profits arising on a transaction caught by section 31 by virtue of section 31A, and
- (b) the condition in section 31(7) or a condition in section 31A is satisfied by reference to an asset, or assets treated as a single asset, treated by virtue of subsection (3C) above as the same as the asset with enhanced value,

the amount of the reduction in value of the principal asset shall be reduced to such amount as is just and reasonable.]

(9) For the purposes of sections 30 to 32 and this section, companies are associated if they are members of the same group.

(10) Section 170(2) to (11) applies for the purposes of sections 30 to 32 and this section as it applies for the purposes of that section.

Textual Amendments

- F14** S. 33(1A) inserted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 3\(2\)](#)
- F15** Words in s. 33(2) substituted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 3\(3\)](#)
- F16** Words in s. 33(3) inserted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 3\(4\)](#)
- F17** S. 33(3A)-(3C) inserted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 3\(5\)](#)
- F18** Words in s. 33(4) substituted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 3\(6\)\(a\)](#)
- F19** Words in s. 33(4)(c) substituted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 3\(6\)\(b\)](#)
- F20** Word in s. 33(7) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(c\)](#)
- F21** Word in s. 33(8) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(c\)](#)
- F22** S. 33(8A) inserted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 3\(7\)](#)

34 Transactions treated as a reorganisation of share capital.

(1) Where—

- (a) but for sections 127 and 135(3), section 30 would have effect as respects the disposal by a company (“the disposing company”) of an asset consisting of shares in or debentures of another company (“the original holding”) in exchange for shares in or debentures of a further company which, immediately after the disposal, is not a member of the same group as the disposing company, and
- (b) if section 30 had effect as respects that disposal, any allowable loss or chargeable gain accruing on the disposal would be calculated as if the consideration for the disposal were increased by an amount,

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the disposing company shall be treated for the purposes of section 128(3) as receiving, on the reorganisation of share capital that is treated as occurring by virtue of section 135(3), that amount for the disposal of the original holding.

[^{F23}(1A) Subsection (1B) below applies where, but for sections 127 and 135(3), section 30 would have effect, by virtue of section 31A, as respects the disposal by a company (“the disposing company”) of an asset consisting of shares in or debentures of another company (“the original holding”) in exchange for shares in or debentures of a further company which, immediately after the disposal, is not a member of the same group as the disposing company.

(1B) Section 31A shall apply as if sections 127 and 135(3) did not apply.

(1C) In applying section 31A(7) and (8)—

- (a) the reference in section 31A(8) to an allowable loss or chargeable gain which accrued on the section 30 disposal shall be taken as a reference to the allowable loss or chargeable gain which would have accrued had sections 127 and 135(3) not applied, and
- (b) an allowable loss shall be treated as a chargeable gain of nil.]

(2) For the purposes of [^{F24}subsections (1) to (1C) above] it shall be assumed that section 136 has effect generally for the purposes of this Act, and in [^{F25}those subsections] “group” has the same meaning as in sections 30 to 33.

Textual Amendments

- F23** S. 34(1A)-(1C) inserted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 4\(2\)](#)
- F24** Words in s. 34(2) substituted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 4\(3\)\(a\)](#)
- F25** Words in s. 34(2) substituted (with effect in accordance with Sch. 9 para. 5 of the amending Act) by [Finance Act 1999 \(c. 16\)](#), [Sch. 9 para. 4\(3\)\(b\)](#)

Status:

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