



Finance Act 2016

2016 CHAPTER 24

PART 9

OTHER TAXES AND DUTIES

Stamp duty and stamp duty reserve tax

137 Stamp duty: acquisition of target company's share capital

- (1) Section 77 of FA 1986 (acquisition of target company's share capital) is amended as follows.
- (2) In subsection (3), omit the “and” at the end of paragraph (g) and after paragraph (h) insert “, and
 - (i) at the time the instrument mentioned in subsection (1) is executed there are no disqualifying arrangements, within the meaning given by section 77A, in existence.”
- (3) In subsection (3A) for “(3)” substitute “(3)(b) to (h) ”.
- (4) In subsection (4) after “this section” insert “ and section 77A ”.
- (5) After section 77 of FA 1986 insert—

“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.
- (3) But neither of the following are disqualifying arrangements—

Changes to legislation: Finance Act 2016, Section 137 is up to date with all changes known to be in force on or before 21 July 2023. 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) [View outstanding changes](#)

- (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).
- (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).”
- (6) The amendments made by this section have effect in relation to any instrument executed on or after 29 June 2016 (and references to arrangements in any provision inserted by this section include arrangements entered into before that date).

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)