

Shares in close company transferring assets at undervalue. CGTA75 s35(1) to (3) and (5); CTA76 s140(2) and Sch 2 PtII par3(1) 589.—(1) Where a close company transfers an asset to any person otherwise than by means of a bargain made at arm's length and for a consideration of an amount or value less than the market value of the asset, an amount equal to the difference shall be apportioned among the issued shares of the company, and the holders of those shares shall be treated in accordance with subsections (2) and (3).

(2) For the purposes of the computation of a chargeable gain accruing on the disposal of any of those shares by the person owning them on the date of transfer, an amount equal to the amount so apportioned to that share shall be excluded from the expenditure allowable as a deduction under section 552 (1)(a) from the consideration for the disposal.

(3) Where the person owning any of those shares at the date of transfer is itself a close company, an amount equal to the amount apportioned to the shares so owned under subsection (1) to that close company shall be apportioned among the issued shares of that close company, and the holders of those shares shall be treated in accordance with subsection (2), and so on through any number of close companies.

(4) This section shall apply to a company within section 590 as it applies to a close company.