

Company reconstructions and amalgamations. CGTA75 s51(1) and Sch2 par5; FA82 s63(1)(b) and (2) 587.—(1) In this section, “scheme of reconstruction or amalgamation” means a scheme for the reconstruction of any company or companies or the amalgamation of any 2 or more companies, and references to shares or debentures being retained include their being retained with altered rights or in an altered form, whether as the result of reduction, consolidation, division or otherwise.

(2) Where under any arrangement between a company and the persons holding shares in or debentures of the company or any class of such shares or debentures, being an arrangement entered into for the purposes of or in connection with a scheme of reconstruction or amalgamation, another company issues shares or debentures to those persons in respect of and in proportion to (or as nearly as may be in proportion to) their holdings of the first-mentioned shares or debentures, but the first-mentioned shares or debentures are either retained by those persons or cancelled, then, those persons shall be treated as exchanging the first-mentioned shares or debentures for those held by them in consequence of the arrangement (any shares or debentures retained being for this purpose regarded as if they had been cancelled and replaced by a new issue), and accordingly section 586 (1) shall apply to such exchange of shares or debentures.

(3) Subsection (2) shall apply in relation to a company which has no share capital as if references to shares in or debentures of a company included references to any interests in the company possessed by members of the company, and sections 584 and 586 shall apply accordingly.

(4) (a) In this subsection, “shares” has the same meaning as in section 586 (3).

(b) This section shall not apply to the issue by a company of shares in the company under a scheme of reconstruction or amalgamation referred to in subsection (2) unless it is shown that the reconstruction or amalgamation is effected for bona fide commercial reasons and does not form part of any arrangement or scheme of which the main purpose or one of the main purposes is avoidance of liability to tax.