

Conditions as to reduction of vendor's interest as shareholder. FA91 s63 178.—(1) Where immediately after the purchase the vendor owns shares in the company, the vendor's interest as a shareholder shall, subject to section 181, be substantially reduced.

(2) Where immediately after the purchase any associate of the vendor owns shares in the company, the combined interest as shareholders of the vendor and the vendor's associates shall, subject to section 181, be substantially reduced.

(3) The question whether the combined interests as shareholders of the vendor and the vendor's associates are substantially reduced shall be determined in the same way as is (under subsections (4) to (7)) the question whether a vendor's interest as a shareholder is substantially reduced, except that the vendor shall be assumed to have the interests of the vendor's associates as well as the vendor's own interests.

(4) Subject to subsection (5), the vendor's interest as a shareholder shall be taken to be substantially reduced only if the total nominal value of the shares owned by the vendor immediately after the purchase, expressed as a percentage of the issued share capital of the company at that time, does not exceed 75 per cent of the corresponding percentage immediately before the purchase.

(5) The vendor's interest as a shareholder shall not be taken to be substantially reduced where—

(a) the vendor would, if the company distributed all its profits available for the distribution immediately after the purchase, be entitled to a share of those profits, and

(b) that share, expressed as a percentage of the total of those profits, exceeds 75 per cent of the corresponding percentage immediately before the purchase.

(6) In determining for the purposes of subsection (5) the division of profits among the persons entitled to them, a person entitled to periodic distributions calculated by reference to fixed rates or amounts shall be regarded as entitled to a distribution of the amount or maximum amount to which the person would be entitled for a year.

(7) In subsection (5), "profits available for distribution" has the same meaning as it has for the purposes of Part IV of the Companies (Amendment) Act, 1983, except that for the purposes of that subsection the amount of the profits available for distribution (whether immediately before or immediately after the purchase) shall be treated as increased—

(a) in the case of every company, by £100, and

(b) in the case of a company from which any person is entitled to periodic distributions of the kind mentioned in subsection (6), by a further amount equal to that required to make the distribution to which that person is entitled in accordance with that subsection,

and, where the aggregate of the sums payable by the company on the purchase and on any contemporaneous

redemption, repayment or purchase of other shares of the company exceeds the amount of the profits available for distribution immediately before the purchase, that amount shall be treated as further increased by an amount equal to the excess.

(8) References in this section to entitlement are, except in the case of trustees and personal representatives, references to beneficial entitlement.