

Company reconstructions, amalgamations, etc. FA82 s55 514.—(1) In this section—

“new shares” means shares comprised in the new holding which were issued in respect of, or otherwise represent, shares comprised in the original holding;

“the corresponding shares”, in relation to any new shares, means those shares in respect of which the new shares were issued or which the new shares otherwise represent.

(2) This section shall apply where there occurs in relation to any of a participant's shares (in this section referred to as “the original holding”) a transaction (in this section referred to as a “company reconstruction”) which results in a new holding ) being equated with the original holding for the purposes of capital gains tax.

(3) (a) Where shares are issued as part of a company reconstruction in circumstances such that section 131 (2) applies, those shares shall be treated for the purposes of this section as not forming part of the new holding.

(b) Nothing in this Chapter shall affect the application of section 130 (2)(c) or 132 (2).

(4) Subject to this section, references in this Chapter to a participant's shares shall be construed, after the time of the company reconstruction, as being or, as the case may be, as including, references to any new shares, and for the purposes of this Chapter—

(a) a company reconstruction shall be treated as not involving a disposal of shares comprised in the original holding,

(b) the date on which any new shares are to be treated as having been appropriated to the participant shall be the date on which the corresponding shares were appropriated, and

(c) the conditions in Part 3 of Schedule 11 shall be treated as fulfilled with respect to any new shares if those conditions were (or were treated as) fulfilled with respect to the corresponding shares.

(5) In relation to shares comprised in the new holding, section 512 (1) shall apply as if the references in that section to the initial market value of the shares were references to their locked-in value immediately after the company reconstruction, which shall be determined by—

(a) ascertaining the aggregate amount of locked-in value immediately before the reconstruction of those shares comprised in the original holding which had at that time the same locked-in value, and

(b) distributing that amount proportionately among—

(i) such of those shares as remain in the new holding, and

(ii) any new shares in relation to which those shares are the corresponding shares,

according to their market value immediately after the date of the reconstruction, and section 512 (1)(a) shall apply only to capital receipts after the date of the reconstruction.

(6) For the purposes of this Chapter, where as part of a company reconstruction the trustees become entitled to a capital receipt ), their entitlement to the capital receipt shall be taken to arise before the new holding comes into being and, for the purposes of subsection (5), before the date on which the locked-in value of any shares comprised in the original holding falls to be ascertained.

(7) In relation to a new holding, any reference in this section to shares includes securities and rights of any description which form part of the new holding for the purposes of section 584.