

Shares in subsidiary member of group. CTA76 s137 625.—(1) (a) This section shall apply if a company (in this section referred to as “the subsidiary”) ceases to be a member of a group of companies, and on an earlier occasion shares in the subsidiary were disposed of by another company (in this section referred to as “the chargeable company”) which was then a member of that group in the course of an amalgamation or reconstruction in the group, but only if that earlier occasion fell within the period of 10 years ending on the date on which the subsidiary ceases to be a member of the group.

(b) References in this section to a company ceasing to be a member of a group of companies shall not apply to cases where a company ceases to be a member of a group by being wound up or dissolved or in consequence of another member of the group being wound up or dissolved.

(2) The chargeable company shall be treated for the purposes of the Capital Gains Tax Acts as if immediately before the earlier occasion it had sold and immediately reacquired the shares referred to in subsection (1)(a) at market value at that time.

(3) Where before the subsidiary ceases to be a member of the group the chargeable company has ceased to exist, or a resolution has been passed, or an order made, for the winding up of the company, or any other act has been done for the like purpose, any corporation tax to which, if the chargeable company had continued in existence, it would have been chargeable in consequence of this section may be assessed and charged (in the name of the chargeable company) on the company which is, at the time when the subsidiary ceases to be a member of the group, the principal company of the group.

(4) Where any of the corporation tax assessed on a company in consequence of this section, or in pursuance of subsection (3), is not paid within 6 months from the date when it becomes payable, then—

(a) a company which is on that date, or was on the earlier occasion, the principal company of the group, and

(b) any company taking an interest in the subsidiary as part of the amalgamation or reconstruction in the group, may at any time within 2 years from the time when the tax became payable, be assessed and charged (in the name of the chargeable company) to all or any part of that tax, and a company paying any amount of tax under this subsection shall be entitled to recover a sum of that amount from the chargeable company or, as the case may be, from the company assessed under subsection (3).

(5) Notwithstanding any limitation on the time for making assessments, an assessment to corporation tax chargeable in consequence of this section may be made at any time within 10 years from the time when the subsidiary ceased to be a member of the group and, in relation to any disposal of the property after the earlier occasion, there shall be made all such adjustments of tax, whether by means of assessment or by means of discharge or repayment of tax, as may be required in consequence of this section.

(6) For the purposes of this section, there shall be a disposal of shares in the course of an amalgamation or reconstruction in a group of companies if—

(a) section 586 or 587 applies to shares in a company so as to equate them with shares in or debentures of another company, and

(b) the companies are members of the same group, or become members of the same group as a result of the amalgamation or reconstruction.

(7) Where by virtue of section 587 shares are to be treated as cancelled and replaced by a new issue, references in this section to a disposal of shares include references to the occasion of the shares being so treated.