

Company amalgamations by exchange of shares. CGTA75 s51(1) and Sch2 par4; FA82 s63(1)(a) and (2) 586.—(1)
Subject to section 587, where a company issues shares or debentures to a person in exchange for shares in or debentures of another company, section 584 shall apply with any necessary modifications as if the 2 companies were the same company and the exchange were a reorganisation of its share capital.

(2) This section shall apply only where—

(a) the company issuing the shares or debentures has, or in consequence of the exchange will have, control of the other company, or

(b) the first-mentioned company issues the shares or debentures in exchange for shares as the result of a general offer made to members of the other company or any class of them (with or without exceptions for persons connected with the first-mentioned company), the offer being made in the first instance on a condition such that if it were satisfied the first-mentioned company would have control of the other company.

(3) (a) In this subsection, “shares” includes stock, debentures and any interests to which section 587 (3) applies and also includes any option in relation to such shares.

(b) This section shall not apply to the issue by a company of shares in the company by means of an exchange referred to in subsection (1) unless it is shown that the exchange 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.