Exemption from charge under section 623 in case of certain mergers. CTA76 s136 624.—(1) Section 623 shall not apply in a case where—

(a) as part of a merger a company (in this section referred to as “company A”) ceases to be a member of a group of companies (in this section referred to as “the A group”), and

(b) it is shown that the merger was carried out for bona fide commercial reasons and that the avoidance of liability to tax was not the main or one of the main purposes of the merger.

(2) In this section, “merger” means an arrangement (including a series of arrangements)—

(a) whereby one or more companies (in this section referred to as “the acquiring company” or, as the case may be, “the acquiring companies”) none of which is a member of the A group acquires or acquire, otherwise than with a view to their disposal, one or more interests in the whole or part of the business which, before the arrangement took effect, was carried on by company A,

(b) whereby one or more members of the A group acquires or acquire, otherwise than with a view to their disposal, one or more interests in the whole or part of the business or each of the businesses which, before the arrangement took effect, was carried on either by the acquiring company or acquiring companies or by a company at least 90 per cent of the ordinary share capital of which was then beneficially owned by 2 or more of the acquiring companies, and

(c) in respect of which the conditions in subsection (4) are fulfilled.

(3) For the purposes of subsection (2), a member of a group of companies shall be treated as carrying on as one business the activities of that group.

(4) The conditions referred to in subsection (2)(c) are—

(a) that not less than 25 per cent by value of each of the interests acquired as mentioned in paragraphs (a) and (b) of subsection (2) consists of a holding of ordinary share capital, and the remainder of the interest or, as the case may be, of each of the interests acquired as mentioned in paragraph (b) of that subsection consists of a holding of share capital (of any description) or debentures or both,

(b) that the value or, as the case may be, the aggregate value of the interest or interests acquired as mentioned in subsection (2)(a) is substantially the same as the value or, as the case may be, the aggregate value of the interest or interests acquired as mentioned in subsection (2)(b), and

(c) that the consideration for the acquisition of the interest or interests acquired by the acquiring company or acquiring companies as mentioned in subsection (2)(a), disregarding any part of that consideration which is small by comparison with the total, either consists of, or is applied in the acquisition of, or consists partly of and as to the balance is applied in the acquisition of, the interest or interests acquired by members of the A group as mentioned in subsection (2)(b),

and for the purposes of this subsection the value of an interest shall be determined as at the date of its acquisition.

(5) Notwithstanding section 616 (1)(a), references in this section to a company shall include references to a company resident outside the State.