HMRC - CTM80625 - Direct Arrangements

‘Direct’ arrangements (CTM80605) exist where a transaction is intended under which the situation of a company would be so altered as to bring CTA10/S155(2) into operation. This does not include a transaction in pursuance of rights conferred on one or other of parties by some prior ‘enabling’ arrangements, for example, in the Articles of Association.

It is a question of fact at what stage ‘direct’ arrangements first come into existence. This will usually be the stage at which there is agreement in principle between the parties that the transaction will proceed even though such agreement is still subject to contract and not finally binding on either party. In any case of difficulty it will usually be necessary to have:

a full account of the course of negotiations,

together with

copies of relevant correspondence.

Arrangements within the meaning of the legislation may come into existence at a date earlier than that on which agreement in principle is reached. For example, during the negotiations, one party may give a formal or informal option to another to complete the transaction on certain specified terms. This could constitute an arrangement of an ‘enabling’ character.

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