HMRC - OT30215 - Rebasing Of Assets Held At 31 March 1982 - Excluded Shares

Excluded “shares” (see OT30205) may be quoted at the time of the disposal, or held in another company following a company reconstruction/amalgamation or in some other form of shares etc because of a share capital reorganisation since 31 March 1982.

TCGA92\Sch3\Para7(2)(d) and TCGA92\Sch3\Para3 look at whether the shares were unquoted on 31 March 1982 taking into account the operation of TCGA92\S126 to TCGA92\S130.

S127 deems the new shares etc arising from a company reconstruction or share reorganisation to be the same as the original shares held. Therefore, if the original shares were unquoted at 31 March 1982 and derived the greater part of their value from oil exploration or exploitation assets or rights in the UK or UK Continental Shelf, then the disposal is excluded from the benefits of the rebasing election.

Example 1

Suppose company A has an unquoted subsidiary B whose 1982 value was dominated by a UK Continental Shelf oil field. It then creates another subsidiary C after 31 March 1982 and exchanges its shares in B for shares in C. Under TCGA92\S127 and TCGA92\S135, the latter are treated in all respects as were the shares in B. If A sells shares in C, the disposal is excluded by Para7(2)(d) notwithstanding that C’s shares were not issued at 31 March 1982.

Intra-group transfers of the UK or UK Continental Shelf oil rights and assets out of a subsidiary prior to the disposal of its shares will similarly not avoid the exclusion.

Example 2

As in the above example A has an unquoted subsidiary B whose 1982 value was dominated by UK Continental Shelf oil field. B transfers its field interest to a new subsidiary C in exchange for shares in C. B then pursues a different activity before being sold to a third party. Although at the time of sale, B’s activities have nothing to do with oil, the disposal is excluded from the rebasing election as its shares derived their value at 31 March 1982 from the UK Continental Shelf oil field.

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