HMRC - STSM042480 - Reliefs: Section 77A - “Particular Person” Or “Particular Persons Together”

To be disqualifying arrangements as set out in FA86/S77A(2), there have to be arrangements where it is reasonable to assume that a purpose or one of the purposes of the arrangements is for a particular person or particular persons together to obtain control of the acquiring company.

In respect of “particular persons together” this is more than a numerical test. It must be reasonable to assume that the parties to the arrangements intend to act in such a way that particular persons together obtain control of the acquiring company.

For example, two shareholders, Person A and Person B, own 50% of a trading company. A third party Person C agrees to invest in the company to provide funds for expansion in return for a 10% shareholding. A share for share exchange is therefore carried out and the new holding company issues shares of the same class, number and proportions to Person A and Person B thereby satisfying the conditions in FA86/S77(3) (b) – (h). Shortly afterward, Person C invests in the new holding company in return for a 10% shareholding

In these circumstances, there are no disqualifying arrangements unless Person C is acting together with either Person A or Person B.

Reorganisations where no purchaser(s) have been identified.

A reorganisation in advance of a potential future sale where no purchaser(s) has been identified will not be disqualifying arrangements for the purposes of FA86/S77A. For example, there may be a reorganisation of a group of companies to make the group better structured for sale in the future.

\_‘\_Arrangements’ includes any agreement, understanding or scheme (whether or not legally enforceable).

“Control” is to be read in accordance with CTA2010/S1124

STSM042460 provides information on what are ‘disqualifying arrangements’.

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