



# Finance Act 1986

## 1986 CHAPTER 41

### PART III

#### STAMP DUTY

##### *Reconstructions and acquisitions*

#### **77 Acquisition of target company's share capital**

- (1) Stamp duty under [<sup>F1</sup>Part I of Schedule 13 to the Finance Act 1999 (conveyance or transfer on sale)] shall not be chargeable on an instrument transferring shares in one company (the target company) to another company (the acquiring company) if the conditions mentioned in subsection (3) below are fulfilled.
- (2) An instrument on which stamp duty is not chargeable by virtue only of subsection (1) above shall not be taken to be duly stamped unless it is stamped with the duty to which it would be liable but for that subsection or it has, in accordance with section 12 of the Stamp Act 1891, been stamped with a particular stamp denoting that it is not chargeable with any duty.
- (3) The conditions are that —
  - <sup>F2</sup>(a) .....
  - (b) the transfer forms part of an arrangement by which the acquiring company acquires the whole of the issued share capital of the target company,
  - (c) the acquisition is effected for bona fide commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of liability to stamp duty, stamp duty reserve tax, income tax, corporation tax or capital gains tax,
  - (d) the consideration for the acquisition consists only of the issue of shares in the acquiring company to the shareholders of the target company,
  - (e) after the acquisition has been made, each person who immediately before it was made was a shareholder of the target company is a shareholder of the acquiring company,

---

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1986, Section 77. (See end of Document for details)*

---

- (f) after the acquisition has been made, the shares in the acquiring company are of the same classes as were the shares in the target company immediately before the acquisition was made,
- (g) after the acquisition has been made, the number of shares of any particular class in the acquiring company bears to all the shares in that company the same proportion [<sup>F3</sup>, or as nearly as may be the same proportion,] as the number of shares of that class in the target company bore to all the shares in that company immediately before the acquisition was made, <sup>F4</sup>...
- (h) after the acquisition has been made, the proportion of shares of any particular class in the acquiring company held by any particular shareholder is the same [<sup>F5</sup>, or as nearly as may be the same,] as the proportion of shares of that class in the target company held by him immediately before the acquisition was made<sup>F6</sup>, and
- (i) at the time the instrument mentioned in subsection (1) is executed there are no disqualifying arrangements, within the meaning given by section 77A, in existence.]

[<sup>F7</sup>(3A) If immediately before the acquisition the target company or the acquiring company holds any of its own shares, the shares are to be treated for the purposes of subsection [<sup>F8</sup>(3)(b) to (h)] as having been cancelled before the acquisition (and, accordingly, the company is to be treated as if it were not a shareholder of itself).]

- (4) In this section [<sup>F9</sup>and section 77A] references to shares and to share capital include references to stock.
- (5) This section applies to any instrument executed on or after 1st August 1986.

#### Textual Amendments

- F1** Words in s. 77(1) substituted (with effect as mentioned in s. 112(6) of the amending Act) by [Finance Act 1999 \(c. 16\)](#), ss. 112(4), [Sch. 14 para. 16](#) (with s. 122)
- F2** S. 77(3)(a) repealed (with effect in accordance with s. 169(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), s. 169(4)(a), [Sch. 26 Pt. 7\(5\)](#)
- F3** Words in s. 77(3)(g) inserted (with effect in accordance with s. 169(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 169\(4\)\(b\)](#)
- F4** Word in s. 77(3)(g) omitted (with effect in accordance with s. 137(6) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 137\(2\)](#)
- F5** Words in s. 77(3)(h) inserted (with effect in accordance with s. 169(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 169\(4\)\(c\)](#)
- F6** S. 77(3)(i) and word inserted (with effect in accordance with s. 137(6) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 137\(2\)](#)
- F7** S. 77(3A) inserted (with effect in accordance with s. 74(4) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [s. 74\(2\)](#)
- F8** Words in s. 77(3A) substituted (with effect in accordance with s. 137(6) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 137\(3\)](#)
- F9** Words in s. 77(4) inserted (with effect in accordance with s. 137(6) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 137\(4\)](#)

#### Modifications etc. (not altering text)

- C1** S. 77 excluded (28.4.1997) by [S.I. 1997/1156](#), [reg. 12](#)

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 1986, Section 77.