

*Status: Point in time view as at 01/10/2007.*

*Changes to legislation: Income and Corporation Taxes Act 1988, Cross Heading: Qualifying trading companies: supplementary provisions is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART XIII

#### MISCELLANEOUS SPECIAL PROVISIONS

#### [<sup>F1</sup>CHAPTER 5A

#### SHARE LOSS RELIEF

[<sup>F1</sup>[<sup>F2</sup>Qualifying trading companies: supplementary provisions]

#### Textual Amendments

- F1** Pt. 13 Ch. 5A created (6.4.2007 with effect in accordance with s. 1034(1) of the affecting Act) by virtue of [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 117\(3\)](#) (with [Sch. 2](#))
- F2** [S. 576J](#) and preceding cross-heading inserted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 130](#) (with [Sch. 2](#))

#### **576J Relief after an exchange of shares for shares in another company**

- (1) This section and section 576K apply in relation to shares if—
- a company (“the new company”) in which the only issued shares are subscriber shares acquires all the shares (“old shares”) in another company (“the old company”),
  - the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company,
  - the consideration for the new shares of each description consists wholly of old shares of the corresponding description,
  - new shares of each description are issued to the holders of old shares of the corresponding description in respect of and in proportion to their holdings, and

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- (e) by virtue of section 127 of the 1992 Act as applied by section 135(3) of that Act (company reconstructions etc), the exchange of shares is not to be treated as involving a disposal of the old shares or an acquisition of the new shares.

In this subsection references to shares, except the first and that in the expression “subscriber shares”, include securities.

- (2) For the purposes of this Chapter the exchange of shares is not regarded as involving any disposal of the old shares or any acquisition of the new shares.
- (3) Nothing in section 576D (the control and independence requirement) applies in relation to such an exchange of shares, or shares and securities, as is mentioned in subsection (1), or arrangements with a view to such an exchange.
- (4) For the purposes of this section old shares and new shares are of a corresponding description if, on the assumption that they were shares in the same company, they would be of the same class and carry the same rights.
- (5) References in section 576K to “old shares”, “new shares”, “the old company” and “the new company” are to be read in accordance with this section.

### [<sup>F3</sup>576K Substitution of new shares for old shares]

- (1) Subsection (2) applies if, in the case of any new shares held by a company or by a nominee for a company, the old shares for which they were exchanged were shares that had been subscribed for by the company (“the investor”).
- (2) This Chapter has effect as if—
- (a) the new shares had been subscribed for by the investor at the time when, and for the amount for which, the old shares were subscribed for by the investor,
  - (b) the new shares had been issued by the new company at the time when the old shares were issued to the investor by the old company, and
  - (c) any requirements of this Chapter which were met at any time before the exchange by the old company had been met at that time by the new company.
- (3) Section 573(6) applies for the purposes of this section.

[ Nothing in subsection (2) applies in relation to section 195(7) of ITA 2007 as applied <sup>F4</sup>(4) by section 576B(7) above for the purposes mentioned in section 576B(8). ]

#### Textual Amendments

- F3** S. 576K inserted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 131](#) (with Sch. 2)
- F4** S. 576K(4) inserted (6.4.2007) by [Finance Act 2008 \(c. 9\)](#), [Sch. 16 paras. 11\(4\), 13](#)

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