



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART VI

COMPANY DISTRIBUTIONS, TAX CREDITS ETC

CHAPTER III

MATTERS WHICH ARE NOT DISTRIBUTIONS FOR THE PURPOSES OF THE CORPORATION TAX ACTS

Purchase of own shares

221 Reduction of vendor's interest as shareholder.

- (1) ^{M1}If immediately after the purchase the vendor owns shares in the company, then, subject to section 224, the vendor's interest as a shareholder must be substantially reduced.
- (2) ^{M2}If immediately after the purchase any associate of the vendor owns shares in the company then, subject to section 224, the combined interests as shareholders of the vendor and his associates must be substantially reduced.
- (3) The question whether the combined interests as shareholders of the vendor and his associates are substantially reduced shall be determined in the same way as is (under the following subsections) the question whether a vendor's interest as a shareholder is substantially reduced, except that the vendor shall be assumed to have the interests of his associates as well as his own.
- (4) ^{M3}Subject to subsection (5) below, the vendor's interest as a shareholder shall be taken to be substantially reduced if and only if the total nominal value of the shares owned by him immediately after the purchase, expressed as a fraction of the issued share capital of the company at that time, does not exceed 75 per cent. of the corresponding fraction immediately before the purchase.

Status: Point in time view as at 01/01/1994. This version of this provision has been superseded.

Changes to legislation: *Income and Corporation Taxes Act 1988, Section 221 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)*

- (5) The vendor's interest as a shareholder shall not be taken to be substantially reduced where—
- (a) he would, if the company distributed all its profits available for distribution immediately after the purchase, be entitled to a share of those profits, and
 - (b) that share, expressed as a fraction of the total of those profits, exceeds 75 per cent. of the corresponding fraction immediately before the purchase.
- (6) In determining for the purposes of subsection (5) above the division of profits among the persons entitled to them, a person entitled to periodic distributions calculated by reference to fixed rates or amounts shall be regarded as entitled to a distribution of the amount or maximum amount to which he would be entitled for a year.
- (7) ^{M4}In subsection (5) above “profits available for distribution” has the same meaning as it has for the purposes of Part VIII of the ^{M5}Companies Act 1985, except that for the purposes of that subsection the amount of the profits available for distribution (whether immediately before or immediately after the purchase) shall be treated as increased—
- (a) in the case of every company, by £100, and
 - (b) in the case of a company from which any person is entitled to periodic distributions of the kind mentioned in subsection (6) above, by a further amount equal to that required to make the distribution to which he is entitled in accordance with that subsection;
- and where the aggregate of the sums payable by the company on the purchase and on any contemporaneous redemption, repayment or purchase of other shares of the company exceeds the amount of the profits available for distribution immediately before the purchase, that amount shall be treated as further increased by an amount equal to the excess.
- (8) ^{M6}References in this section to entitlement are, except in the case of trustees and personal representatives, references to beneficial entitlement.

Marginal Citations

- M1** Source—1982 Sch.9 3(1)
M2 Source—1982 Sch.9 4
M3 Source—1982 Sch.9 3(2)-(4)
M4 Source—1982 Sch.9 3(5), (6)
M5 1985 c.6
M6 Source—1982 Sch.9 3(7)

Status:

Point in time view as at 01/01/1994. This version of this provision has been superseded.

Changes to legislation:

Income and Corporation Taxes Act 1988, Section 221 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.