



Companies Act 1985

1985 CHAPTER 6

PART V U.K.

SHARE CAPITAL, ITS INCREASE, MAINTENANCE AND REDUCTION

CHAPTER III E+W+S

SHARE PREMIUMS

131 Merger relief. E+W+S

- (1) With the exception made by [^{F1}section 132(8)] (group reconstruction) this section applies where the issuing company has secured at least a 90 per cent. equity holding in another company in pursuance of an arrangement providing for the allotment of equity shares in the issuing company on terms that the consideration for the shares allotted is to be provided—
 - (a) by the issue or transfer to the issuing company of equity shares in the other company, or
 - (b) by the cancellation of any such shares not held by the issuing company.
- (2) If the equity shares in the issuing company allotted in pursuance of the arrangement in consideration for the acquisition or cancellation of equity shares in the other company are issued at a premium, section 130 does not apply to the premiums on those shares.
- (3) Where the arrangement also provides for the allotment of any shares in the issuing company on terms that the consideration for those shares is to be provided by the issue or transfer to the issuing company of non-equity shares in the other company or by the cancellation of any such shares in that company not held by the issuing company, relief under subsection (2) extends to any shares in the issuing company allotted on those terms in pursuance of the arrangement.
- (4) Subject to the next subsection, the issuing company is to be regarded for purposes of this section as having secured at least a 90 per cent. equity holding in another company in pursuance of such an arrangement as is mentioned in subsection (1) if

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Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Section 131. (See end of Document for details)

in consequence of an acquisition or cancellation of equity shares in that company (in pursuance of that arrangement) it holds equity shares in that company (whether all or any of those shares were acquired in pursuance of that arrangement, or not) of an aggregate nominal value equal to 90 per cent. or more of the nominal value of that company's equity share capital.

- (5) Where the equity share capital of the other company is divided into different classes of shares, this section does not apply unless the requirements of subsection (1) are satisfied in relation to each of those classes of shares taken separately.
- (6) Shares held by a company which is the issuing company's holding company or subsidiary, or a subsidiary of the issuing company's holding company, or by its or their nominees, are to be regarded for purposes of this section as held by the issuing company.
- (7) In relation to a company and its shares and capital, the following definitions apply for purposes of this section—
 - (a) "equity shares" means shares comprised in the company's equity share capital; and
 - (b) "non-equity shares" means shares (of any class) not so comprised;
 and "arrangement" means any agreement, scheme or arrangement (including an arrangement sanctioned under section 425 (company compromise with members and creditors) or [^{F2}section 110 of the Insolvency Act] (liquidator accepting shares etc. as consideration for sale of company property)).
- (8) The relief allowed by this section does not apply if the issue of shares took place before 4th February 1981.

Textual Amendments

- F1** S. 131(1): "section 132(8)" substituted (retrospectively) for "section 132(4)" by [Companies Act 1989](#) (c. 40, SIF 27), ss. 145, 213(2), [Sch. 19 para. 1](#)
- F2** Words substituted by [Insolvency Act 1986](#) (c. 45, SIF 66), s. 439(1), [Sch. 13 Pt. I](#)

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