



Finance Act 1989

1989 CHAPTER 26

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER III

CAPITAL GAINS

Value shifting and groups of companies

137 Value shifting: transactions treated as a reorganisation of share capital.

(1) After section 26C of the Capital Gains Tax Act 1979 there shall be inserted—

“26D Value shifting: transactions treated as a reorganisation of share capital.

(1) Where—

(a) but for sections 78 and 85(3) below, section 26 above would have effect as respects the disposal by a company (“the disposing company”) of an asset consisting of shares in or debentures of another company (“the original holding”) in exchange for shares in or debentures of a further company which, immediately after the disposal, is not a member of the same group as the disposing company, and

(b) if section 26 above had effect as respects that disposal, any allowable loss or chargeable gain accruing on the disposal would be calculated as if the consideration for the disposal were increased by an amount,

the disposing company shall be treated for the purposes of section 79(2) below as receiving, on the reorganisation of share capital that is treated as occurring

Status: This is the original version (as it was originally enacted).

by virtue of section 85(3) below, that amount for the disposal of the original holding.

- (2) For the purposes of subsection (1) above it shall be assumed that section 86 below has effect generally for the purposes of this Act, and in that subsection “group” has the same meaning as in sections 26 to 26C above.”
- (2) This section shall have effect where the reduction in value, by reason of which the amount referred to in section 26D(1)(b) of the Capital Gains Tax Act 1979 falls to be calculated, occurred on or after 14th March 1989.