



# Taxation of Chargeable Gains Act 1992

## 1992 CHAPTER 12

### PART II

#### GENERAL PROVISIONS RELATING TO COMPUTATION OF GAINS AND ACQUISITIONS AND DISPOSALS OF ASSETS

### CHAPTER II

#### ASSETS AND DISPOSALS OF ASSETS

#### *Value shifting*

#### 29 General provisions.

- (1) Without prejudice to the generality of the provisions of this Act as to the transactions which are disposals of assets, any transaction which under the following subsections is to be treated as a disposal of an asset—
  - (a) shall be so treated (with a corresponding acquisition of an interest in the asset) notwithstanding that there is no consideration, and
  - (b) so far as, on the assumption that the parties to the transaction were at arm's length, the party making the disposal could have obtained consideration, or additional consideration, for the disposal, shall be treated as not being at arm's length and the consideration so obtainable, or the additional consideration so obtainable added to the consideration actually passing, shall be treated as the market value of what is acquired.
- (2) If a person having control of a company exercises his control so that value passes out of shares in the company owned by him or a person with whom he is connected, or out of rights over the company exercisable by him or by a person with whom he is connected, and passes into other shares in or rights over the company, that shall be a disposal of the shares or rights out of which the value passes by the person by whom they were owned or exercisable.

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- (3) A loss on the disposal of an asset shall not be an allowable loss to the extent to which it is attributable to value having passed out of other assets, being shares in or rights over a company which by virtue of the passing of value are treated as disposed of under subsection (2) above.
- (4) If, after a transaction which results in the owner of land or of any other description of property becoming the lessee of the property there is any adjustment of the rights and liabilities under the lease, whether or not involving the grant of a new lease, which is as a whole favourable to the lessor, that shall be a disposal by the lessee of an interest in the property.
- (5) If an asset is subject to any description of right or restriction the extinction or abrogation, in whole or in part, of the right or restriction by the person entitled to enforce it shall be a disposal by him of the right or restriction.

### **30 Tax-free benefits.**

- (1) This section has effect as respects the disposal of an asset if a scheme has been effected or arrangements have been made (whether before or after the disposal) whereby—
  - (a) the value of the asset <sup>F1</sup>... has been materially reduced, and
  - (b) a tax-free benefit has been or will be conferred—
    - (i) on the person making the disposal or a person with whom he is connected, or
    - (ii) subject to subsection (4) below, on any other person.
- <sup>F2</sup>(2) But, for the purposes of corporation tax, this section does not have effect if the disposal of the asset is a disposal by a company of shares in, or securities of, another company (as to which see section 31).]
- (3) For the purposes of subsection (1)(b) above a benefit is conferred on a person if he becomes entitled to any money or money's worth or the value of any asset in which he has an interest is increased or he is wholly or partly relieved from any liability to which he is subject; and a benefit is tax-free unless it is required, on the occasion on which it is conferred on the person in question, to be brought into account in computing his income, profits or gains for the purposes of income tax, capital gains tax or corporation tax.
- (4) This section shall not apply by virtue of subsection (1)(b)(ii) above [<sup>F3</sup>in a case where] avoidance of tax was not the main purpose or one of the main purposes of the scheme or arrangements in question.
- (5) Where this section has effect in relation to any disposal, any allowable loss or chargeable gain accruing on the disposal shall be calculated as if the consideration for the disposal were increased by such amount as [<sup>F4</sup>is] just and reasonable having regard to the scheme or arrangements and the tax-free benefit in question.
- (6) Where—
  - (a) by virtue of subsection (5) above the consideration for the disposal of an asset has been treated as increased, and
  - (b) the benefit taken into account under subsection (1)(b) above was an increase in the value of another asset,
 any allowable loss or chargeable gain accruing on the first disposal of the other asset after the increase in its value shall be calculated as if the consideration for that

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disposal were reduced by such amount as [<sup>F5</sup>is] just and reasonable having regard to the scheme or arrangements in question and the increase made in relation to the disposal mentioned in paragraph (a) above.

(7) References in this section to a disposal do not include references to any disposal falling within section 58(1), 62(4) or 171(1).

<sup>F6</sup>(8) . . . . .

(9) In relation to a case in which the disposal of an asset precedes its acquisition the references in subsections (1)(a) and (2) above to a reduction shall be read as including a reference to an increase.

#### Textual Amendments

- F1** Words in s. 30(1)(a) omitted (with effect in accordance with Sch. 9 para. 6 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 1\(a\)](#)
- F2** S. 30(2) substituted (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 1\(b\)](#)
- F3** Words in s. 30(4) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 46](#)
- F4** Word in s. 30(5) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(a\)](#)
- F5** Word in s. 30(6) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(a\)](#)
- F6** S. 30(8) omitted (with effect in accordance with Sch. 9 para. 6 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 1\(c\)](#)

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

- C1** S. 30 excluded (retrospective to 5.11.2993) by [Finance Act 1994 \(c. 9\)](#), s. 252(2), [Sch. 24 para. 4\(1\)](#)
- C2** S. 30 excluded (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 4](#) (with [Sch. 4 para. 14](#)); S.I. 1994/2189, art. 2, Sch.
- C3** S. 30 modified (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 9\(1\)](#)
- C4** S. 30 applied (with modifications) (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 15 para. 71\(3\)](#)
- C5** S. 30 excluded (6.11.2000) by [Postal Services Act 2000 \(c. 26\)](#), s. 130(1), [Sch. 4 para. 6](#); S.I. 2000/2957, art. 2(1), Sch. 1
- C6** S. 30 excluded (1.2.2001) by [Transport Act 2000 \(c. 38\)](#), s. 275(1), [Sch. 7 para. 5](#); S.I. 2001/57, art. 3(1)
- C7** S. 30 excluded (15.1.2001) by [Transport Act 2000 \(c. 38\)](#), s. 275(1), [Sch. 26 para. 36](#); S.I. 2000/3376, art. 2
- C8** S. 30 modified (E.W.S.) (8.6.2005 for specified purposes, 24.7.2005 in so far as not already in force) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 31](#); S.I. 2005/1444, art. 2(1), Sch. 1; S.I. 2005/1909, art. 2, Sch.
- C9** S. 30(5) excluded (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 4\(2\)\(3\)](#)
- C10** S. 30(5) excluded (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 9\(3\)](#)

#### [<sup>F7</sup>31] Disposal of shares or securities by a company

(1) For the purposes of corporation tax, subsection (2) has effect as respects the disposal by a company (“the disposing company”) of shares in, or securities of, another company if—

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- (a) arrangements have been made whereby the value of those shares or securities, or any relevant asset, is materially reduced,
  - (b) the main purpose, or one of the main purposes, of the arrangements is to obtain a tax advantage, and
  - (c) the arrangements do not consist solely of the making of an exempt distribution.
- (2) Any allowable loss or chargeable gain accruing on the disposal is to be calculated as if the consideration for the disposal were increased by such amount as is just and reasonable having regard to—
- (a) the arrangements, and
  - (b) any charge to, or relief from, corporation tax that, in the absence of this section, would arise in consequence of the disposal or the arrangements.
- (3) For the purposes of subsection (1)—
- (a) an asset is a relevant asset if, at the time of the disposal, it is owned by a company which is a member of the same group as the disposing company, and
  - (b) it does not matter whether the tax advantage is obtained for the disposing company or any other person.
- (4) In relation to a case in which the disposal of the shares or securities precedes their acquisition, the reference in subsection (1)(a) to a reduction is to be read as including a reference to an increase.
- (5) Where, but for arrangements to which subsection (6) applies, a transaction would, by virtue of section 29(2), be treated as a disposal of shares by a company, that transaction is to be treated as if it were, by virtue of section 29(2), a disposal of those shares.
- (6) The arrangements to which this subsection applies are arrangements—
- (a) whereby the value of the shares or securities is materially reduced, and
  - (b) the main purpose, or one of the main purposes, of which is to obtain a tax advantage (whether for the company or any other person).
- (7) In this section—
- “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);
  - “exempt distribution” means a distribution which—
    - (a) for the purposes of section 931D of CTA 2009 (exemption from charge to tax: distributions received by companies that are not small), falls within an exempt class by virtue of section 931H of that Act (dividends derived from transactions not designed to reduce tax), or
    - (b) would be within paragraph (a) but for the recipient being a small company (within the meaning of section 931S of that Act) in the accounting period of the recipient in which the distribution was received;
  - “group” is to be construed in accordance with section 170;
  - “securities” has the same meaning as in section 132;
  - “tax advantage” means the avoidance of a liability to corporation tax in respect of chargeable gains.]

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**Textual Amendments**

**F7** S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

**F731A Asset-holding company leaving the group.**

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**Textual Amendments**

**F7** S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

**F732 Disposals within a group followed by a disposal of shares.**

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**Textual Amendments**

**F7** S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

**F733 Provisions supplementary to sections 30 to 32.**

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**Textual Amendments**

**F7** S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

**F733A Modification of sections 30 to 33 in relation to chargeable intangible asset**

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**Textual Amendments**

**F7** S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

**F734 Transactions treated as a reorganisation of share capital.**

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