

Status: Point in time view as at 10/07/2003.

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SCHEDULES

SCHEDULE 7

Section 62

STAMP DUTY LAND TAX: GROUP RELIEF AND RECONSTRUCTION AND ACQUISITION RELIEFS

PART 1

GROUP RELIEF

Group relief

- 1 (1) A transaction is exempt from charge if the vendor and purchaser are companies that at the effective date of the transaction are members of the same group.
- (2) For the purposes of group relief—
- (a) “company” means a body corporate, and
 - (b) companies are members of the same group if one is the 75% subsidiary of the other or both are 75% subsidiaries of a third company.
- (3) For the purposes of group relief a company (“company A”) is the 75% subsidiary of another company (“company B”) if company B—
- (a) is beneficial owner of not less than 75% of the ordinary share capital of company A,
 - (b) is beneficially entitled to not less than 75% of any profits available for distribution to equity holders of company A, and
 - (c) would be beneficially entitled to not less than 75% of any assets of company A available for distribution to its equity holders on a winding-up.
- (4) The ownership referred to in sub-paragraph (3)(a) is ownership either directly or through another company or companies.
- For the purposes of that provision the amount of ordinary share capital of company A owned by company B through another company or companies shall be determined in accordance with section 838(5) to (10) of the Taxes Act 1988.
- (5) In sub-paragraphs (3)(a) and (4) above “ordinary share capital”, in relation to a company, means all the issued share capital (by whatever name called) of the company, other than capital the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company.
- (6) Schedule 18 to the Taxes Act 1988 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (3)(b) and (c) above as it applies for the purposes of section 413(7)(a) and (b) of that Act, but with the omission of paragraphs 5(3) and 5B to 5E.
- (7) This paragraph is subject to paragraph 2 (restrictions on availability of group relief) and paragraph 3 (withdrawal of group relief).

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Restrictions on availability of group relief

- 2 (1) Group relief is not available if at the effective date of the transaction there are arrangements in existence by virtue of which, at that or some later time, a person has or could obtain, or any persons together have or could obtain, control of the purchaser but not of the vendor.

This does not apply to arrangements entered into with a view to an acquisition of shares by a company (“the acquiring company”)—

- (a) in relation to which section 75 of the Finance Act 1986 (c. 41) (stamp duty: acquisition relief) will apply,
 - (b) in relation to which the conditions for relief under that section will be met, and
 - (c) as a result of which the purchaser will be a member of the same group as the acquiring company.
- (2) Group relief is not available if the transaction is effected in pursuance of, or in connection with, arrangements under which—
- (a) the consideration, or any part of the consideration, for the transaction is to be provided or received (directly or indirectly) by a person other than a group company, or
 - (b) the vendor and the purchaser are to cease to be members of the same group by reason of the purchaser ceasing to be a 75% subsidiary of the vendor or a third company.
- (3) Arrangements are within sub-paragraph (2)(a) if under them the vendor or the purchaser, or another group company, is to be enabled to provide any of the consideration, or is to part with any of it, by or in consequence of the carrying out of a transaction or transactions involving, or any of them involving, a payment or other disposition by a person other than a group company.
- (4) In sub-paragraphs (2)(a) and (3) a “group company” means a company that at the effective date of the transaction is a member of the same group as the vendor or the purchaser.
- (5) In this paragraph—
- “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable; and
 - “control” has the meaning given by section 840 of the Taxes Act 1988.

Withdrawal of group relief

- 3 (1) Where in the case of a transaction (“the relevant transaction”) that is exempt from charge by virtue of paragraph 1 (group relief)—
- (a) the purchaser ceases to be a member of the same group as the vendor—
 - (i) before the end of the period of three years beginning with the effective date of the transaction, or
 - (ii) in pursuance of, or in connection with, arrangements made before the end of that period,
 and
 - (b) at the time the purchaser ceases to be a member of the same group as the vendor (“the relevant time”), it or a relevant associated company holds a chargeable interest—

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- (i) that was acquired by the purchaser under the relevant transaction, or
(ii) that is derived from a chargeable interest so acquired,
and that has not subsequently been acquired at market value under a chargeable transaction for which group relief was available but was not claimed,
group relief in relation to the relevant transaction, or an appropriate proportion of it, is withdrawn and tax is chargeable in accordance with this paragraph.
- (2) The amount chargeable is the tax that would have been chargeable in respect of the relevant transaction but for group relief if the chargeable consideration for that transaction had been an amount equal to the market value of the subject matter of the transaction or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
- (3) In sub-paragraphs (1) and (2) “an appropriate proportion” means an appropriate proportion having regard to the subject matter of the relevant transaction and what is held at the relevant time by the transferee company or, as the case may be, by that company and its relevant associated companies.
- (4) In this paragraph—
“arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable; and
“relevant associated company”, in relation to the purchaser, means a company that—
(a) is a member of the same group as the purchaser immediately before the purchaser ceases to be a member of the same group as the vendor, and
(b) ceases to be a member of the same group as the vendor in consequence of the purchaser so ceasing.
- (5) This paragraph has effect subject to paragraph 4 (cases in which group relief not withdrawn).

Cases in which group relief not withdrawn

- 4 (1) Group relief is not withdrawn under paragraph 3 in the following cases.
- (2) The first case is where the purchaser ceases to be a member of the same group as the vendor because the vendor leaves the group.
- (3) The vendor is regarded as leaving the group if the companies cease to be members of the same group by reason of a transaction relating to shares in—
(a) the vendor, or
(b) another company that as a result of the transaction ceases to be a member of the same group as the purchaser.
- (4) The second case is where the purchaser ceases to be a member of the same group as the vendor by reason of anything done for the purposes of, or in the course of, winding up the vendor or another company that is above the vendor in the group structure.
- (5) For this purpose a company is “above” the vendor in the group structure if the vendor, or another company that is above the vendor in the group structure, is a 75% subsidiary of the company.

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- (6) The third case is where—
- (a) the purchaser ceases to be a member of the same group as the vendor as a result of an acquisition of shares by another company (“the acquiring company”) in relation to which—
 - (i) section 75 of the Finance Act 1986 (c. 41) applies (stamp duty: acquisition relief), and
 - (ii) the conditions for relief under that section are met,
 and
 - (b) the purchaser is immediately after that acquisition a member of the same group as the acquiring company.
- (7) But if in a case within sub-paragraph (6)—
- (a) the purchaser ceases to be a member of the same group as the acquiring company—
 - (i) before the end of the period of three years beginning with the effective date of the relevant transaction, or
 - (ii) in pursuance of, or in connection with, arrangements made before the end of that period,
 and
 - (b) at the time the purchaser ceases to be a member of the same group as the acquiring company, it or a relevant associated company holds a chargeable interest—
 - (i) that was acquired by the purchaser under the relevant transaction, or
 - (ii) that is derived from an interest so acquired,
 and that has not subsequently been acquired at market value under a chargeable transaction for which group relief was available but was not claimed,
- the provisions of this Part relating to group relief apply as if the purchaser had then ceased to be a member of the same group as the vendor.
- (8) In sub-paragraph (7)—
- “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable; and
 - “relevant associated company”, in relation to the purchaser, means a company that is a member of the same group as the purchaser that ceases to be a member of the same group as the acquiring company in consequence of the purchaser so ceasing.

Recovery of group relief from another group company or controlling director

- 5 (1) This paragraph applies where—
- (a) tax is chargeable under paragraph 3 (withdrawal of group relief),
 - (b) the amount so chargeable has been finally determined, and
 - (c) the whole or part of the amount so chargeable is unpaid six months after the date on which it became payable.
- (2) The following persons may, by notice under paragraph 6, be required to pay the unpaid tax—
- (a) the vendor;

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- (b) any company that at any relevant time was a member of the same group as the purchaser and was above it in the group structure;
 - (c) any person who at any relevant time was a controlling director of the purchaser or a company having control of the purchaser.
- (3) For the purposes of sub-paragraph (2)(b)—
- (a) a “relevant time” means any time between the effective date of the relevant transaction and the purchaser ceasing to be a member of the same group as the vendor; and
 - (b) a company (“company A”) is “above” another company (“company B”) in a group structure if company B, or another company that is above company B in the group structure, is a 75% subsidiary of company A.
- (4) In sub-paragraph (2)(c)—
- “director”, in relation to a company, has the meaning given by section 67(1) of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (read with subsection (2) of that section) and includes any person falling within section 417(5) of the Taxes Act 1988 (read with subsection (6) of that section); and
- “controlling director”, in relation to a company, means a director of the company who has control of it (construing control in accordance with section 416 of the Taxes Act 1988).

Recovery of group relief: supplementary

- 6 (1) The Inland Revenue may serve a notice on a person within paragraph 5(2) above requiring him within 30 days of the service of the notice to pay the amount that remains unpaid.
- (2) Any such notice must be served before the end of the period of three years beginning with the date of the final determination mentioned in paragraph 5(1)(b).
- (3) The notice must state the amount required to be paid by the person on whom the notice is served.
- (4) The notice has effect—
- (a) for the purposes of the recovery from that person of the amount required to be paid and of interest on that amount, and
 - (b) for the purposes of appeals,
- as if it were a notice of assessment and that amount were an amount of tax due from that person.
- (5) A person who has paid an amount in pursuance of a notice under this paragraph may recover that amount from the purchaser.
- (6) A payment in pursuance of a notice under this paragraph is not allowed as a deduction in computing any income, profits or losses for any tax purpose.

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PART 2

RECONSTRUCTION AND ACQUISITION RELIEFS

Reconstruction relief

- 7 (1) Where—
- (a) a company (“the acquiring company”) acquires the whole or part of the undertaking of another company (“the target company”) in pursuance of a scheme for the reconstruction of the target company, and
 - (b) the first, second and third conditions specified below are met,
- a land transaction entered into for the purposes of or in connection with the transfer of the undertaking or part is exempt from charge.

Relief under this paragraph is referred to in this Part as “reconstruction relief”.

- (2) The first condition is that the consideration for the acquisition consists wholly or partly of the issue of non-redeemable shares in the acquiring company to all the shareholders of the target company.

“Non-redeemable shares” means shares that are not redeemable shares.

- (3) Where the consideration for the acquisition consists partly of the issue of non-redeemable shares as mentioned in the first condition, that condition is met only if the rest of the consideration consists wholly of the assumption or discharge by the acquiring company of liabilities of the target company.

- (4) The second condition is that after the acquisition has been made—

- (a) each shareholder of each of the companies is a shareholder of the other, and
- (b) the proportion of shares of one of the companies held by any shareholder is the same, or as nearly as may be the same, as the proportion of shares of the other company held by that shareholder.

- (5) The third condition is that the acquisition is effected for bona fide commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is the avoidance of liability to tax.

“Tax” here means stamp duty, income tax, corporation tax, capital gains tax or tax under this Part.

- (6) This paragraph is subject to paragraph 9 (withdrawal of reconstruction or acquisition relief).

Acquisition relief

- 8 (1) Where—
- (a) a company (“the acquiring company”) acquires the whole or part of the undertaking of another company (“the target company”), and
 - (b) the first and second conditions specified below are met,
- the rate of tax chargeable on a land transaction entered into for the purposes of or in connection with the transfer of the undertaking or part is limited to 0.5%.

Relief under this paragraph is referred to in this Part as “acquisition relief”.

- (2) The first condition is that the consideration for the acquisition consists wholly or partly of the issue of non-redeemable shares in the acquiring company to—

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- (a) the target company, or
 - (b) all or any of the target company's shareholders.
- “Non-redeemable shares” means shares that are not redeemable shares.
- (3) Where the consideration for the acquisition consists partly of the issue of non-redeemable shares as mentioned in the first condition, that condition is met only if the rest of the consideration consists wholly of—
- (a) cash not exceeding 10% of the nominal value of the non-redeemable shares so issued, or
 - (b) the assumption or discharge by the acquiring company of liabilities of the target company, or
 - (c) both of those things.
- (4) The second condition is that the acquiring company is not associated with another company that is a party to arrangements with the target company relating to shares of the acquiring company issued in connection with the transfer of the undertaking or part.
- (5) For this purpose—
- (a) companies are associated if one has control of the other or both are controlled by the same person or persons, and
 - (b) “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable.
- The reference in paragraph (a) to control shall be construed in accordance with section 416 of the Taxes Act 1988.
- (6) This paragraph is subject to paragraph 9 (withdrawal of reconstruction or acquisition relief).

Withdrawal of reconstruction or acquisition relief

- 9 (1) Where in the case of a transaction (“the relevant transaction”) that is exempt by virtue of reconstruction relief or is subject to a reduced rate of tax by virtue of acquisition relief—
- (a) control of the acquiring company changes—
 - (i) before the end of the period of three years beginning with the effective date of the transaction, or
 - (ii) in pursuance of, or in connection with, arrangements made before the end of that period,
 and
 - (b) at the time control of the acquiring company changes (“the relevant time”), it or a relevant associated company holds a chargeable interest—
 - (i) that was acquired by the acquiring company under the relevant transaction, or
 - (ii) that is derived from an interest so acquired,
 and that has not subsequently been acquired at market value under a chargeable transaction in relation to which reconstruction or acquisition relief was available but was not claimed,
- reconstruction or acquisition relief in relation to the relevant transaction, or an appropriate proportion of it, is withdrawn and tax is chargeable in accordance with this paragraph.

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- (2) The amount chargeable is the tax that would have been chargeable in respect of the relevant transaction but for reconstruction or acquisition relief if the chargeable consideration for that transaction had been an amount equal to the market value of the subject matter of the transaction or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
- (3) In sub-paragraphs (1) and (2) “an appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relevant transaction and what is held at the relevant time by the acquiring company or, as the case may be, by that company and any relevant associated companies.
- (4) In this paragraph “relevant associated company”, in relation to the acquiring company, means a company—
 - (a) that is controlled by the acquiring company immediately before the control of that company changes, and
 - (b) of which control changes in consequence of the change of control of that company.
- (5) In this paragraph—
 - (a) “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable;
 - (b) “control” shall be construed in accordance with section 416 of the Taxes Act 1988; and
 - (c) references to control of a company changing are to the company becoming controlled—
 - (i) by a different person,
 - (ii) by a different number of persons, or
 - (iii) by two or more persons at least one of whom is not the person, or one of the persons, by whom the company was previously controlled.
- (6) This paragraph has effect subject to paragraph 10 (cases in which reconstruction or acquisition relief not withdrawn).

Cases in which reconstruction or acquisition relief not withdrawn

- 10 (1) Reconstruction or acquisition relief is not withdrawn under paragraph 9 in the following cases.
- (2) The first case is where control of the acquiring company changes as a result of a share transaction that is effected as mentioned in any of paragraphs (a) to (d) of paragraph 3 of Schedule 3 (transactions in connection with divorce etc).
- (3) The second case is where control of the acquiring company changes as a result of a share transaction that—
 - (a) is effected as mentioned in paragraph 4(1) of Schedule 3, and
 - (b) meets the conditions in paragraph 4(2) of that Schedule (variation of testamentary dispositions etc).
- (4) The third case is where control of the acquiring company changes as a result of an exempt intra-group transfer.

An “exempt intra-group transfer” means a transfer of shares effected by an instrument that is exempt from stamp duty by virtue of section 42 of the Finance Act 1930 (c. 28)

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or section 11 of the Finance Act (Northern Ireland) 1954 (c. 23 (N. I.)) (transfers between associated bodies corporate).

But see paragraph 11 (withdrawal of relief in case of subsequent non-exempt transfer).

- (5) The fourth case is where control of the acquiring company changes as a result of a transfer of shares to another company in relation to which share acquisition relief applies.

“Share acquisition relief” means relief under section 77 of the Finance Act 1986 (c. 41) and a transfer is one in relation to which that relief applies if an instrument effecting the transfer is exempt from stamp duty by virtue of that provision. But see paragraph 11 (withdrawal in case of subsequent non-exempt transfer).

- (6) The fifth case is where—

- (a) control of the acquiring company changes as a result of a loan creditor becoming, or ceasing to be, treated as having control of the company, and
- (b) the other persons who were previously treated as controlling the company continue to be so treated.

“Loan creditor” here has the meaning given by section 417(7) to (9) of the Taxes Act 1988.

Withdrawal of reconstruction or acquisition relief on subsequent non-exempt transfer

- 11 (1) Where paragraph 10(4) (change of control of acquiring company as a result of exempt intra-group transfer) has effect to prevent the withdrawal of reconstruction or acquisition relief on a change of control of the acquiring company, but—

- (a) a company holding shares in the acquiring company to which the exempt intra-group transfer related, or that are derived from shares to which that transfer related, ceases to be a member of the same group as the target company—
 - (i) before the end of the period of three years beginning with the effective date of the relevant transaction, or
 - (ii) in pursuance of or in connection with arrangements made before the end of that period,

and

- (b) the acquiring company or a relevant associated company, at that time (“the relevant time”), holds a chargeable interest—
 - (i) that was transferred to the acquiring company by the relevant transaction, or
 - (ii) that is derived from an interest that was so transferred,
 and that has not subsequently been transferred at market value by a chargeable transaction in relation to which reconstruction or acquisition relief was available but was not claimed,

reconstruction or acquisition relief in relation to the relevant transaction, or an appropriate proportion of it, is withdrawn and tax is chargeable in accordance with this paragraph.

- (2) Where paragraph 10(5) (change of control of acquiring company as a result of a transfer to which share acquisition relief applies) has effect to prevent the withdrawal

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of reconstruction or acquisition relief on a change of control of the acquiring company, but—

- (a) control of the other company mentioned in that provision changes—
 - (i) before the end of the period of three years beginning with the effective date of the relevant transaction, or
 - (ii) in pursuance of or in connection with arrangements made before the end of that period,

at a time when that company holds any shares transferred to it by the exempt transfer, or any shares derived from shares so transferred,

and

- (b) the acquiring company or a relevant associated company, at that time (“the relevant time”), holds a chargeable interest—

- (i) that was transferred to the acquiring company by the relevant transaction, or

- (ii) that is derived from an interest that was so transferred,

and that has not subsequently been transferred at market value by a chargeable transaction in relation to which reconstruction or acquisition relief was available but was not claimed,

reconstruction or acquisition relief in relation to the relevant transaction, or an appropriate proportion of it, is withdrawn and tax is chargeable in accordance with this paragraph.

- (3) The amount chargeable is the tax that would have been chargeable in respect of the relevant transaction but for reconstruction or acquisition relief if the chargeable consideration for that transaction had been an amount equal to the market value of the subject matter of the transaction or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.

- (4) In sub-paragraphs (1), (2) and (3) “an appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relevant transaction and what is held at the relevant time by the acquiring company or, as the case may be, by that company and any relevant associated companies.

- (5) In this paragraph “relevant associated company”, in relation to the acquiring company, means a company—

- (a) that is controlled by the acquiring company immediately before the control of that company changes, and
 - (b) of which control changes in consequence of the change of control of that company.

- (6) In this paragraph—

- (a) “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable;
 - (b) “control” shall be construed in accordance with section 416 of the Taxes Act 1988; and
 - (c) references to control of a company changing are to the company becoming controlled—
 - (i) by a different person,
 - (ii) by a different number of persons, or
 - (iii) by two or more persons at least one of whom is not the person, or one of the persons, by whom the company was previously controlled.

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*Recovery of reconstruction or acquisition relief
from another group company or controlling director*

- 12 (1) This paragraph applies where—
- (a) tax is chargeable under paragraph 9 or 11 (withdrawal of reconstruction or acquisition relief),
 - (b) the amount so chargeable has been finally determined, and
 - (c) the whole or part of the amount so chargeable is unpaid six months after the date on which it became payable.
- (2) The following persons may, by notice under paragraph 13, be required to pay the unpaid tax—
- (a) any company that at any relevant time was a member of the same group as the acquiring company and was above it in the group structure;
 - (b) any person who at any relevant time was a controlling director of the acquiring company or a company having control of the acquiring company.
- (3) For the purposes of sub-paragraph (2) “relevant time” means any time between effective date of the relevant transaction and the change of control by virtue of which tax is chargeable.
- (4) For the purposes of sub-paragraph (2)(a) a company (“company A”) is “above” another company (“company B”) in a group structure if company B, or another company that is above company B in the group structure, is a 75% subsidiary of company A.
- (5) For the purposes of sub-paragraph (2)(b)—
- (a) “director”, in relation to a company, has the meaning given by section 67(1) of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (read with subsection (2) of that section) and includes any person falling within section 417(5) of the Taxes Act 1988 (read with subsection (6) of that section); and
 - (b) “controlling director”, in relation to a company, means a director of the company who has control of it (construing control in accordance with section 416 of the Taxes Act 1988).

Recovery of reconstruction or acquisition relief: supplementary

- 13 (1) The Inland Revenue may serve a notice on a person within paragraph 12(2) above requiring him within 30 days of the service of the notice to pay the amount that remains unpaid.
- (2) Any such notice must be served before the end of the period of three years beginning with the date of the final determination mentioned in paragraph 12(1)(b).
- (3) The notice must state the amount required to be paid by the person on whom the notice is served.
- (4) The notice has effect—
- (a) for the purposes of the recovery from that person of the amount required to be paid and of interest on that amount, and
 - (b) for the purposes of appeals,
- as if it were a notice of assessment and that amount were an amount of tax due from that person.

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- (5) A person who has paid an amount in pursuance of a notice under this paragraph may recover that amount from the acquiring company.
- (6) A payment in pursuance of a notice under this paragraph is not allowed as a deduction in computing any income, profits or losses for any tax purpose.

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