



Corporation Tax Act 2010

2010 CHAPTER 4

PART 23

COMPANY DISTRIBUTIONS

CHAPTER 5

DEMERGERS

Exemption by virtue of section 1076 or 1077: conditions

1081 General conditions

- (1) Condition A is that each relevant company must be [^{F1}UK resident or] resident in a member State at the time of the distribution.
- (2) Condition B is that at the time of the distribution—
 - (a) the distributing company must be either a trading company or a member of a trading group, and
 - (b) each subsidiary whose shares are transferred as mentioned in section 1076(a) or 1077(1)(a)(ii) must be either a trading company or the holding company of a trading group.
- (3) Condition C is that the distribution must be made wholly or mainly for the purpose of benefiting some or all of the trading activities which—
 - (a) before the distribution are carried on by a single company or group, and
 - (b) after the distribution will be carried on by two or more companies or groups.
- (4) Condition D is that the distribution must not form part of a scheme or arrangement to which subsection (5) applies.
- (5) This subsection applies to any scheme or arrangement the main purpose or one of the main purposes of which is—

Changes to legislation: Corporation Tax Act 2010, Cross Heading: Exemption by virtue of section 1076 or 1077: conditions is up to date with all changes known to be in force on or before 30 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) View outstanding changes

- (a) the avoidance of tax,
 - (b) the making of a chargeable payment (see section 1088),
 - (c) the making, in pursuance of a scheme or arrangements with a company (“A”) or with any of its main participators, of what would be a chargeable payment if A were an unquoted company,
 - (d) the acquisition by any person or persons, other than the members of the distributing company, of control of—
 - (i) the distributing company,
 - (ii) any other relevant company, or
 - (iii) any company which belongs to the same group as the distributing company or any other relevant company,
 - (e) the cessation of a trade after the distribution, or
 - (f) the sale of a trade after the distribution.
- (6) Subsections (5)(b) and (c) are without prejudice to the width of subsection (5)(a).
- (7) In subsection (5)—
- “group” means a company which has one or more 51% subsidiaries together with those subsidiaries,
 - “main participators” has the meaning given by section 1089(1)(b), and
 - “tax” includes stamp duty and stamp duty land tax.

Textual Amendments

F1 Words in s. 1081(1) inserted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) \(No. 2\) Regulations 2019 \(S.I. 2019/818\)](#), regs. 1(2), **8(5)**; 2020 c. 1, Sch. 5 para. 1(1)

1082 Conditions for distributions within section 1076(a)

- (1) Condition E is that the shares mentioned in section 1076(a)—
 - (a) must not be redeemable,
 - (b) must constitute the whole or substantially the whole of the distributing company's holding of the ordinary share capital of the subsidiary, and
 - (c) must confer the whole or substantially the whole of the distributing company's voting rights in the subsidiary.
- (2) Condition F is that the distributing company must after the distribution be either—
 - (a) a trading company, or
 - (b) the holding company of a trading group.
 But see subsections (3) and (4).
- (3) Condition F need not be met if the distributing company is a 75% subsidiary of another company.
- (4) Condition F need not be met if—
 - (a) the transfer mentioned in section 1076(a) relates to two or more 75% subsidiaries of the distributing company, and
 - (b) the distributing company is dissolved without there having been after the distribution any net assets of the company available for distribution on a winding up or otherwise.

Changes to legislation: Corporation Tax Act 2010, Cross Heading: Exemption by virtue of section 1076 or 1077: conditions is up to date with all changes known to be in force on or before 30 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) View outstanding changes

1083 Conditions for distributions within section 1077(1)

- (1) Condition G is that if a trade is transferred, the distributing company must either—
 - (a) not retain any interest in that trade, or
 - (b) retain only a minor interest in it.
- (2) Condition H is that if shares in a subsidiary are transferred those shares—
 - (a) must constitute the whole or substantially the whole of the distributing company's holding of the ordinary share capital of the subsidiary, and
 - (b) must confer the whole or substantially the whole of the distributing company's voting rights in the subsidiary.
- (3) Condition I is that the only or main activity of the transferee company, or each transferee company, after the distribution must be—
 - (a) the carrying on of the trade, or
 - (b) the holding of the shares transferred to it.
- (4) Condition J is that the shares issued by the transferee company or each transferee company—
 - (a) must not be redeemable,
 - (b) must constitute the whole or substantially the whole of its issued ordinary share capital, and
 - (c) must confer the whole or substantially the whole of the voting rights in that company.
- (5) Condition K is that the distributing company must after the distribution be either a trading company or the holding company of a trading group.

1084 Cases where condition K does not apply

- (1) Condition K need not be met if the distributing company is a 75% subsidiary of another company.
- (2) Condition K need not be met if—
 - (a) there are two or more transferee companies each of which has transferred to it—
 - (i) a trade, or
 - (ii) shares in a separate 75% subsidiary of the distributing company, and
 - (b) the distributing company is dissolved without there having been after the distribution any net assets of the company available for distribution on a winding up or otherwise.

1085 Conditions to be met if the distributing company is a 75% subsidiary

- (1) Condition L is that the group (or, if more than one, the largest group) to which the distributing company belongs at the time of the distribution must be a trading group.
- (2) Condition M is that the distribution (“the original distribution”) must be followed by one or more other distributions (“further distributions”) falling within section 1076(a) or 1077(1)(a)(ii) which—
 - (a) are exempt distributions, and
 - (b) comply with subsection (3).

Changes to legislation: Corporation Tax Act 2010, Cross Heading: Exemption by virtue of section 1076 or 1077: conditions is up to date with all changes known to be in force on or before 30 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) [View outstanding changes](#)

- (3) To comply with this subsection a further distribution must result in members of the holding company of the group (or, if more than one, the largest group) to which the distributing company belonged at the time of the original distribution becoming members of—
- (a) the transferee company or each transferee company to which a trade was transferred by the distributing company,
 - (b) the subsidiary or each subsidiary whose shares were transferred by the distributing company, or
 - (c) a company (other than the holding company) of which the company or companies mentioned in paragraph (a) or (b) are 75% subsidiaries.

Changes to legislation:

Corporation Tax Act 2010, Cross Heading: Exemption by virtue of section 1076 or 1077: conditions is up to date with all changes known to be in force on or before 30 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.

[View outstanding changes](#)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 357CHA omitted by [2024 c. 3 Sch. 2 para. 14\(7\)](#)
- s. 658(1)(d)(e) inserted by [2010 c. 13 Sch. 6 para. 31](#) (This amendment not applied to [legislation.gov.uk](#). Sch. 6 para. 31 omitted (retrospective to 6.4.2010) by virtue of Finance Act 2012 (c. 14), s. 52(2) (3))