



Companies Act 2006

2006 CHAPTER 46

PART 17

A COMPANY'S SHARE CAPITAL

CHAPTER 7

SHARE PREMIUMS

Relief from requirements as to share premiums

611 Group reconstruction relief

- (1) This section applies where the issuing company—
 - (a) is a wholly-owned subsidiary of another company (“the holding company”), and
 - (b) allots shares—
 - (i) to the holding company, or
 - (ii) to another wholly-owned subsidiary of the holding company,in consideration for the transfer to the issuing company of non-cash assets of a company (“the transferor company”) that is a member of the group of companies that comprises the holding company and all its wholly-owned subsidiaries.
- (2) Where the shares in the issuing company allotted in consideration for the transfer are issued at a premium, the issuing company is not required by section 610 to transfer any amount in excess of the minimum premium value to the share premium account.
- (3) The minimum premium value means the amount (if any) by which the base value of the consideration for the shares allotted exceeds the aggregate nominal value of the shares.

Status: This is the original version (as it was originally enacted).

- (4) The base value of the consideration for the shares allotted is the amount by which the base value of the assets transferred exceeds the base value of any liabilities of the transferor company assumed by the issuing company as part of the consideration for the assets transferred.
- (5) For the purposes of this section—
 - (a) the base value of assets transferred is taken as—
 - (i) the cost of those assets to the transferor company, or
 - (ii) if less, the amount at which those assets are stated in the transferor company's accounting records immediately before the transfer;
 - (b) the base value of the liabilities assumed is taken as the amount at which they are stated in the transferor company's accounting records immediately before the transfer.

612 Merger relief

- (1) This section applies where the issuing company has secured at least a 90% 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 610 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—
 - (a) by the issue or transfer to the issuing company of non-equity shares in the other company, or
 - (b) 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) This section does not apply in a case falling within section 611 (group reconstruction relief).

613 Merger relief: meaning of 90% equity holding

- (1) The following provisions have effect to determine for the purposes of section 612 (merger relief) whether a company ("company A") has secured at least a 90% equity holding in another company ("company B") in pursuance of such an arrangement as is mentioned in subsection (1) of that section.
- (2) Company A has secured at least a 90% equity holding in company B if in consequence of an acquisition or cancellation of equity shares in company B (in pursuance of that arrangement) it holds equity shares in company B of an aggregate amount equal to 90% or more of the nominal value of that company's equity share capital.

- (3) For this purpose—
- (a) it is immaterial whether any of those shares were acquired in pursuance of the arrangement; and
 - (b) shares in company B held by the company as treasury shares are excluded in determining the nominal value of company B's share capital.
- (4) Where the equity share capital of company B is divided into different classes of shares, company A is not regarded as having secured at least a 90% equity holding in company B unless the requirements of subsection (2) are met in relation to each of those classes of shares taken separately.
- (5) For the purposes of this section shares held by—
- (a) a company that is company A's holding company or subsidiary, or
 - (b) a subsidiary of company A's holding company, or
 - (c) its or their nominees,
- are treated as held by company A.

614 Power to make further provision by regulations

- (1) The Secretary of State may by regulations make such provision as he thinks appropriate—
- (a) for relieving companies from the requirements of section 610 (application of share premiums) in relation to premiums other than cash premiums;
 - (b) for restricting or otherwise modifying any relief from those requirements provided by this Chapter.
- (2) Regulations under this section are subject to affirmative resolution procedure.

615 Relief may be reflected in company's balance sheet

An amount corresponding to the amount representing the premiums, or part of the premiums, on shares issued by a company that by virtue of any relief under this Chapter is not included in the company's share premium account may also be disregarded in determining the amount at which any shares or other consideration provided for the shares issued is to be included in the company's balance sheet.