



Companies Act 2006

2006 CHAPTER 46

PART 17

A COMPANY'S SHARE CAPITAL

CHAPTER 7

SHARE PREMIUMS

The share premium account

610 Application of share premiums

- (1) If a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares must be transferred to an account called “the share premium account”.
- (2) Where, on issuing shares, a company has transferred a sum to the share premium account, it may use that sum to write off—
 - (a) the expenses of the issue of those shares;
 - (b) any commission paid on the issue of those shares.
- (3) The company may use the share premium account to pay up new shares to be allotted to members as fully paid bonus shares.
- (4) Subject to subsections (2) and (3), the provisions of the Companies Acts relating to the reduction of a company's share capital apply as if the share premium account were part of its paid up share capital.
- (5) This section has effect subject to—
 - section 611 (group reconstruction relief);
 - section 612 (merger relief);
 - section 614 (power to make further provisions by regulations).

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- (6) In this Chapter “the issuing company” means the company issuing shares as mentioned in subsection (1) above.

Commencement Information

- II** S. 610 wholly in force at 1.10.2009; s. 610 not in force at Royal Assent see s. 1300; s. 610(2)-(4) in force for specified purposes at 1.10.2008 by [S.I. 2008/1886](#), [art. 2](#) (with [arts 6, 7](#)); s. 610 in force at 1.10.2009 in so far as not already in force by [S.I. 2008/2860](#), [art. 3\(k\)](#) (with [arts. 5, 7, 8](#), [Sch. 2](#)) (as amended by [S.I. 2009/1802](#), [art. 18](#))

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.
- (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.

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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,

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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.

Commencement Information

- I2** S. 614 wholly in force at 1.10.2009; s. 614 not in force at Royal Assent, see s. 1300; s. 614 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6](#), [8](#), [Sch. 5](#)); s. 614 otherwise in force at 1.10.2009 by [S.I. 2008/2860](#), [art. 3\(k\)](#) (with [arts. 5](#), [7](#), [8](#), [Sch. 2](#)) (as amended by [S.I. 2009/1802](#), [art. 18](#))

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.

Supplementary provisions

616 Interpretation of this Chapter

- (1) In this Chapter—
 - “arrangement” means any agreement, scheme or arrangement (including an arrangement sanctioned in accordance with—
 - (a) Part 26 [^{F1}or 26A] (arrangements and reconstructions), or
 - (b) section 110 of the Insolvency Act 1986 (c. 45) or Article 96 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) (liquidator in winding up accepting shares as consideration for sale of company property));
 - “company”, except in reference to the issuing company, includes any body corporate;
 - “equity shares” means shares comprised in a company's equity share capital, and “non-equity shares” means shares (of any class) that are not so comprised;
 - “the issuing company” has the meaning given by section 610(6).
- (2) References in this Chapter (however expressed) to—
 - (a) the acquisition by a company of shares in another company, and
 - (b) the issue or allotment of shares to, or the transfer of shares to or by, a company,

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include (respectively) the acquisition of shares by, and the issue or allotment or transfer of shares to or by, a nominee of that company.

The reference in section 611 to the transferor company shall be read accordingly.

- (3) References in this Chapter to the transfer of shares in a company include the transfer of a right to be included in the company's register of members [^{F2}]^{F3} (or, as the case may be, have your name and other particulars delivered to the registrar under Chapter 2A of Part 8 and registered by the registrar)] in respect of those shares.

Textual Amendments

- F1** Words in s. 616(1) inserted (26.6.2020) by [Corporate Insolvency and Governance Act 2020 \(c. 12\)](#), s. 49(1), [Sch. 9 para. 33\(5\)](#) (with ss. 2(2), 5(2))
- F2** Words in s. 616(3) omitted (26.10.2023 but only so far as it confers a power to make regulations or relates to the exercise of the power, otherwise prosp.) by virtue of [Economic Crime and Corporate Transparency Act 2023 \(c. 56\)](#), s. 219(1)(2)(b), [Sch. 1 para. 12](#)
- F3** Words in s. 616(3) inserted (30.6.2016) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\)](#), s. 164(1), [Sch. 5 para. 23](#); S.I. 2016/321, reg. 6(c)

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

- Act amendment to earlier affecting provision S.I. 1989/638, Sch. 4 by [S.I. 2024/410 Sch. 2 para. 1](#)
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 11(1) by [S.I. 2013/1971 reg. 9\(a\)](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 3(4) by [S.I. 2013/1971 reg. 4](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)

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

- s. 156A-156C inserted by [2015 c. 26 s. 87\(4\)](#)
- s. 156B(5) omitted by [2023 c. 56 Sch. 2 para. 26](#)
- s. 156C(2) words substituted by [2023 c. 56 s. 41\(2\)\(a\)](#)
- s. 156C(2A) inserted by [2023 c. 56 s. 41\(2\)\(b\)](#)
- s. 156C(3) substituted for s. 156C(3)-(5) by [2023 c. 56 Sch. 2 para. 27](#)
- s. 479A(2)(c)(zi) inserted by [S.I. 2019/177 reg. 4\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 4 substituted by regs. 4, 4A immediately before IP completion day by S.I. 2019/1392, regs. 1(2), 4)
- s. 479B(a)(iii) amendment to earlier affecting provision S.I.2008/1991 reg.34 by [S.R. 2024/78 reg. 31\(4\)](#)
- s. 479B(a)(iii) amendment to earlier affecting provision S.I.2008/1991 reg.34A by [S.R. 2024/78 reg. 31\(5\)](#)
- s. 1047(4)(i)(j) inserted by [2023 c. 56 s. 21\(2\)](#)
- s. 1087(da) substituted by [2023 c. 56 s. 52\(2\)](#)
- s. 1087A-1807C applied by S.I. 2009/2436, Sch. 1 para. 20(1)(ca) (as substituted) by [S.I. 2024/410 Sch. 2 para. 5\(d\)\(ii\)](#)
- s. 1110E-110G applied by S.I. 2009/1804, reg. 60 (as amended) by [S.I. 2024/234 reg. 26](#)
- s. 11989A applied (with modifications) by S.I. 2009/1804, reg. 79A (as inserted) by [S.I. 2024/234 reg. 46](#)
- Sch. 10 para. 6(2D) inserted by [S.I. 2019/177 reg. 28\(e\)](#) (This amendment not applied to legislation.gov.uk. Reg. 28(e) omitted immediately before IP completion day by virtue of S.I. 2020/523, regs. 1(2), 14(e)(iv))
- Sch. 10 para. 7(2A) inserted by [S.I. 2019/177 reg. 29\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 29 substituted immediately before IP completion day by S.I. 2020/523, regs. 1(2), 14(f))