



Corporation Tax Act 2010

2010 CHAPTER 4

PART 14

CHANGE IN COMPANY OWNERSHIP

CHAPTER 7

MEANING OF “CHANGE IN THE OWNERSHIP OF A COMPANY”

Meaning of “change in the ownership of a company”

719 Meaning of “change in the ownership of a company”

- (1) For the purposes of this Part there is a change in the ownership of a company if condition A, B or C is met.
- (2) Condition A is that a single person acquires a holding of more than half the ordinary share capital of the company.
- (3) Condition B is that—
 - (a) two or more persons each acquire a holding of at least 5% of the ordinary share capital of the company, and
 - (b) those holdings together amount to more than half the ordinary share capital of the company.
- (4) Condition C is that—
 - (a) two or more persons each acquire a holding of the ordinary share capital of the company, and
 - (b) those holdings together amount to more than half the ordinary share capital of the company,but there is disregarded a holding of less than 5% unless—
 - (i) it is an addition to an existing holding, and

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- (ii) the two holdings together amount to at least 5% of the ordinary share capital of the company.

[^{F1}(4A) For the purposes of Chapters 2A to [^{F2}2E] there is also a change in the ownership of a company (“C”) if, as a result of the acquisition by a person of a holding of the ordinary share capital of the company, the group condition (as defined in section 188CE) is met in relation to C and another company (“A”) (which was not a member of the same group of companies as C before the acquisition).

In this subsection the reference to membership of a group of companies is to be interpreted in accordance with section 188FB.]

- (5) See also sections 721 and 722 which provide for things other than ordinary share capital to be taken into account in determining whether there has been a change in the ownership of a company.

Textual Amendments

- F1** S. 719(4A) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 89](#)
- F2** Word in [s. 719\(4A\)](#) substituted (with effect in accordance with Sch. 8 para. 21 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 8 para. 14](#)

Modifications etc. (not altering text)

- C3** [Ss. 719-724A](#) modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [ss. 212\(5\), 264](#)

720 Section 719: supplementary

- (1) The following provisions apply for the purposes of section 719.
- (2) The circumstances at any two points in time with not more than 3 years between may be compared, and a holder (“H”) at the later time may be regarded as having acquired whatever H did not hold at the earlier time.

It does not matter what H has acquired or disposed of in between.

- (3) To allow for any issue of shares or other reorganisation of capital, the comparison may be made in terms of percentage holdings of the total ordinary share capital at the respective times, so that a person whose percentage holding is greater at the later time may be regarded as having acquired a percentage holding equal to the increase.
- (4) To decide if a person has acquired—
- (a) a holding of at least 5%, or
 - (b) a holding which makes at least 5% when added to an existing holding,
- acquisitions by, and holdings of, two or more persons who are connected persons are to be added together as if they were acquisitions by, and holdings of, one and the same person.
- (5) Any acquisition of shares under a will or on intestacy is left out of account.
- (6) Any gift of shares which is unsolicited and made without regard to the provisions of this Part is left out of account.

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Modifications etc. (not altering text)

- C3** Ss. 719-724A modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by Finance (No. 2) Act 2023 (c. 30), ss. 212(5), 264

721 When things other than ordinary share capital may be taken into account: Chapters 2 to [F3 5A]

- (1) This section applies for the purposes of Chapters 2 to [F4 5A] if conditions A and B are met.
- (2) Condition A is that persons (whether company members or not) possess extraordinary rights or powers under any document regulating a company.
- (3) Condition B is that because of that fact ownership of the ordinary share capital may not be an appropriate test of whether there has been a major change in the persons for whose benefit the relief may ultimately enure.
- (4) In determining whether there has been a change in the ownership of the company for the purposes of Chapter 2, [F5 2A, 2B, 2C, 2D,][F6 2E,] 3, 4 [F7, 5 or 5A], any of the following may be taken into account instead of ordinary share capital—
 - (a) holdings of all kinds of share capital,
 - (b) holdings of any particular kind of share capital,
 - (c) voting power, and
 - (d) any other kind of special power.

Textual Amendments

- F3** Word in s. 721 heading substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by Finance Act 2013 (c. 29), Sch. 13 para. 1(4)(a)
- F4** Word in s. 721(1) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by Finance Act 2013 (c. 29), Sch. 13 para. 1(4)(b)
- F5** Words in s. 721(4) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 4 para. 90
- F6** Word in s. 721(4) inserted (with effect in accordance with Sch. 8 para. 21 of the amending Act) by Finance Act 2021 (c. 26), Sch. 8 para. 15
- F7** Words in s. 721(4) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by Finance Act 2013 (c. 29), Sch. 13 para. 1(4)(c)

Modifications etc. (not altering text)

- C3** Ss. 719-724A modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by Finance (No. 2) Act 2023 (c. 30), ss. 212(5), 264

722 When things other than ordinary share capital may be taken into account: Chapter 6

- (1) This section applies for the purposes of Chapter 6 if conditions A and B are met.
- (2) Condition A is that persons (whether company members or not) possess extraordinary rights or powers under any document regulating a company.

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- (3) Condition B is that because of that fact ownership of the ordinary share capital may not be an appropriate test of whether there has been a change in the ownership of the company.
- (4) In determining whether there has been a change in the ownership of the company for the purposes of Chapter 6, any of the following may be taken into account instead of ordinary share capital—
- (a) holdings of all kinds of share capital,
 - (b) holdings of any particular kind of share capital,
 - (c) voting power, and
 - (d) any other kind of special power.

Modifications etc. (not altering text)

- C3** Ss. 719-724A modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by Finance (No. 2) Act 2023 (c. 30), ss. 212(5), 264

Changes in indirect ownership

723 Changes in indirect ownership

- (1) This section applies if there is a change in the ownership of a company, other than a change in ownership which is disregarded because of section 724 [^{F8}or 724A] .
- (2) The reference in subsection (1) to a change in the ownership of a company includes a change in ownership occurring as a result of the application of this section.
- (3) If condition A in section 719 is met, the person mentioned in that condition is treated for the purposes of this Chapter as having acquired at the time of the change in ownership any relevant assets owned by the company.
- (4) If condition B in section 719 is met but condition A is not, each of the persons mentioned in condition B is treated for the purposes of this Chapter as having acquired at the time of the change in ownership the appropriate fraction of any relevant assets owned by the company.
- (5) In a case not falling within subsection (3) or (4), each of the persons mentioned in condition C in section 719 (other than any person whose holding is disregarded for the purposes of that condition) is treated for the purposes of this Chapter as having acquired at the time of the change in ownership the appropriate fraction of any relevant assets owned by the company.
- (6) In this section—

“the appropriate fraction”, in relation to one of two or more persons mentioned in subsection (4) or (5), means—

$$\frac{X}{Y}$$

where—

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- a X is the percentage of the ordinary share capital acquired by that person, and
 - b Y is the percentage of that capital acquired by all those persons taken together, and
- “relevant assets”, in relation to a company, means—
- (a) any ordinary share capital of another company, and
 - (b) any property or rights which under section 721 or 722 may be taken into account instead of ordinary share capital of another company.

Textual Amendments

F8 Words in s. 723(1) inserted (with effect in accordance with s. 37(6) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 37\(3\)](#)

Modifications etc. (not altering text)

C3 [Ss. 719-724A](#) modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), ss. 212\(5\), 264](#)

Disregard of change in ownership

724 Disregard of change in company ownership

- (1) A change in the ownership of a company (“the subsidiary company”) is disregarded for the purposes of Chapters 2 to 6 if —
 - (a) immediately before the change in ownership, the subsidiary company is a qualifying 75% subsidiary of another company (“the parent company”), and
 - (b) although there is a change in the direct ownership of the subsidiary company, the subsidiary company continues after the change to be a qualifying 75% subsidiary of the parent company.
- (2) For the purposes of this section, the subsidiary company is a qualifying 75% subsidiary of the parent company if conditions A, B and C are met.
- (3) Condition A is that the subsidiary company is a 75% subsidiary of the parent company.
- (4) Condition B is that the parent company would be beneficially entitled to at least 75% of any profits available for distribution to equity holders of the subsidiary company.
- (5) Condition C is that the parent company would be beneficially entitled to at least 75% of any assets of the subsidiary company available for distribution to its equity holders on a winding up.
- (6) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsections (4) and (5) as it applies for the purposes of section 151(4)(a) and (b).

Modifications etc. (not altering text)

C3 [Ss. 719-724A](#) modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), ss. 212\(5\), 264](#)

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[^{F9}724A Disregard of change in parent company

- (1) Where a new company (“N”) acquires all the issued share capital of another company (“C”), the resulting ownership change is disregarded for the purposes of Chapters 2 to 6 if, immediately after that acquisition (“the acquisition”), N—
 - (a) possesses all of the voting power in C,
 - (b) is beneficially entitled to 100% of any profits available for distribution to equity holders of C,
 - (c) would be beneficially entitled to 100% of any assets of C available for distribution to its equity holders in the event of a winding up of C or in any other circumstances, and
 - (d) meets the continuity requirements.
- (2) “The resulting ownership change” means the change in the ownership of C by reason of Condition A in section 719 being met in relation to the acquisition.
- (3) A company is “new” if, before the acquisition, it has neither—
 - (a) issued any shares other than subscriber shares, nor
 - (b) begun to carry on any trade or business.
- (4) N meets the continuity requirements if, and only if—
 - (a) the consideration for the acquisition consists only of the issue of shares in N to the shareholders of C,
 - (b) immediately after the acquisition, each person who immediately before the acquisition was a shareholder of C is a shareholder of N,
 - (c) immediately after the acquisition, the shares in N are of the same classes as were the shares in C immediately before the acquisition,
 - (d) immediately after the acquisition, the number of shares of any particular class in N bears to all the shares in N the same proportion, or as nearly as may be the same proportion, as the number of shares of that class in C bore to all the shares in C immediately before the acquisition, and
 - (e) immediately after the acquisition, the proportion of shares of any particular class in N held by any particular shareholder is the same, or as nearly as may be the same, as the proportion of shares of that class in C held by that shareholder immediately before the acquisition.
- (5) For the purposes of this section, N is treated as acquiring all the issued share capital of C for consideration consisting only of the issue of shares in N to the shareholders of C if, as a result of a scheme of reconstruction involving the cancellation of all shares in C and the issue of shares in N—
 - (a) N holds all the issued share capital of C by reason of that share capital being issued to N by C, and
 - (b) only shares in N are issued to the persons who were shareholders of C immediately before the shares in C were cancelled.
- (6) In a case within subsection (5), subsection (4) applies as if any reference to immediately before the acquisition were a reference to immediately before the shares in C were cancelled.
- (7) “Scheme of reconstruction” means a scheme carried out in pursuance of a compromise or arrangement—
 - (a) to which Part 26 [^{F10} or 26A] of the Companies Act 2006 (arrangements and reconstructions) applies, or

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- (b) under any corresponding provision of the law of a country or territory outside the United Kingdom.
- (8) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (1)(b) and (c) as it applies for the purposes of section 151(4).]

Textual Amendments

- F9** S. 724A inserted (with effect in accordance with s. 37(6) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 37\(4\)](#)
- F10** Words in s. 724A(7)(a) inserted (26.6.2020) by [Corporate Insolvency and Governance Act 2020 \(c. 12\), s. 49\(1\), Sch. 9 para. 44](#) (with ss. 2(2), 5(2))

Modifications etc. (not altering text)

- C3** [Ss. 719-724A](#) modified (with effect in relation to accounting periods commencing on or after 31.12.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), ss. 212\(5\), 264](#)

Supplementary provision

725 Provision applying for the purposes of Chapters 2 to [F115A]

- (1) This section applies for the purposes of Chapters 2 to [F125A] .
- (2) If any of those Chapters has operated to restrict relief by reference to a change in the ownership of a company taking place at any time, no transaction or circumstances before that time may be taken into account in determining whether there is any subsequent change in the ownership of the company.
- (3) The following provisions apply if—
- (a) any relevant assets are taken into account in determining that there has been a change in the ownership of a company, and
 - (b) the relevant assets were acquired—
 - (i) in pursuance of a contract of sale or option or other contract, or
 - (ii) by a person holding such a contract.
- (4) The time when the change in the ownership of the company took place is to be determined as if the acquisition had been made—
- (a) when the contract was made with the holder, or
 - (b) when the benefit of it was assigned to the holder.
- (5) Accordingly, a person exercising an option to purchase shares is treated as having purchased the shares when that person acquired the option.
- (6) In this section “relevant assets” means—
- (a) ordinary share capital, or
 - (b) any property or rights which under section 721 or 722 may be taken into account instead of ordinary share capital.

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 7. (See end of Document for details)

Textual Amendments

- F11** Word in s. 725 heading substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 13 para. 1(5)(a)**
- F12** Word in s. 725(1) substituted (with effect in accordance with Sch. 13 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 13 para. 1(5)(b)**

726 Interpretation of Chapter

In this Chapter—

“ownership” means beneficial ownership (and references to acquisition [^{F13}and shareholder] are construed accordingly), and

“shares” includes stock.

Textual Amendments

- F13** Word in s. 726 inserted (with effect in accordance with s. 37(6) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **s. 37(5)**

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 7.