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From: [REDACTED]
Sent: 01 June 2023 15:25
To: [REDACTED]; Technical
Cc: [REDACTED]
Subject: RE: CGT on share for share exchanges involving non-UK companies - CIOT response

Follow Up Flag: Follow up
Flag Status: Completed

Thank you for the CIOT submission on CGT share for share exchanges involving non-UK companies and the feedback provided.

The share exchange legislation was introduced to prevent a relatively simple way for individuals who hold shares in UK close companies to avoid tax and so it only applies to individuals. If individuals put in place artificial intermediaries prior to the share exchange they will need to consider whether there is a disposal of the UK company shares at the point of the transfer to the intermediaries and whether other anti-avoidance provisions will apply.

The share exchange legislation applies to shares held on behalf of the individual in a nominee or bare trust arrangement. Section 60 TCGA treats shares as being issued to the beneficial owner where there is a bare trust or nominee arrangement in place.

The share exchange legislation is targeted legislation that may apply to non-UK residents in limited circumstances, such as where a non-UK resident has a sufficient holding in a UK close company that they exchange for a holding in an equivalent non-UK company. In these circumstances, the individual will have an important connection to the UK and should be aware that they need to understand the UK tax implications of exchanging their shares in the UK close company. Where the temporary non-resident rules apply, any gain or dividend income arising during the temporary non-resident period will be taxed when the individual returns to a period of UK residence.

Kind regards

[REDACTED]

 **HM Revenue & Customs**
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