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# Stamp duty and UK takeovers

**For many years, the normal structure for the acquisition of a UK public company has been a scheme of arrangement. This structure has a number of advantages, including the ability to acquire 100% of the target on the basis of approval by a 75% majority of shareholders, and the availability of certain US securities law exemptions.**

In its 2014 Autumn Statement, the UK Government announced its intention to prevent takeovers of UK companies by way of "cancellation" schemes of arrangement, which are the most commonly used structure for UK public company takeovers. One of the benefits of a cancellation scheme is that there is typically no stamp duty, whereas other takeover structures (such as a contractual offer or "transfer" scheme) attract stamp duty at 0.5% of the equity value of the offer. The Government has now published draft legislation to effect the previously announced changes by amending the Companies Act 2006. No implementation date has been set, but it is expected to be in the near future to try to avoid potential bidders from accelerating takeover plans in order to avoid stamp duty.

The draft regulations effectively outlaw cancellation schemes of arrangement for effecting takeovers of both public and private UK companies, whether or not subject to the UK Takeover Code. They do not affect takeovers by way of a transfer scheme of arrangement, which has all the benefits of a cancellation scheme other than the stamp duty saving. They also do not affect intra-group reorganisations (such as the imposition of a new holding company) effected by a cancellation scheme.

The regulations include transitional savings for takeovers which have been formally announced (in the case of public takeovers) or agreed (in the case of other takeovers) at the time when the legislation comes into force, but will otherwise have immediate effect when implemented.


**Peter King**
Partner
peter.king@weil.com
+44 20 7903 1011



**Ian Hamilton**
Senior Consultant
ian.hamilton@weil.com
+44 20 7903 1534