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HMRC guidance provides welcome comfort for private equity management rollovers

Tax Talks on **June 9, 2026**

HMRC has published updated guidance on the revised share reorganisation anti-avoidance rules following the changes introduced by Finance Act 2026. The guidance provides welcome confirmation that standard private equity management rollover arrangements should continue to benefit from share-for-share exchange relief despite concerns raised by the widening of the anti-avoidance provisions.

Previous Concern

In order to achieve management re-investment in the buyer's structure, which is a typical feature of private equity transactions, management shareholders will often exchange a portion of their sale shares for shares in the acquisition structure as part of a UK private equity buyout. These arrangements, which usually involve a series of exchanges for shares and/or loan notes, typically rely on the rollover provisions in section 135 TCGA 1992. Under that provision, the exchange is not treated as a disposal for capital gains tax purposes and the replacement shares effectively step into the shoes of the original shares.

Rollover treatment is subject to an anti-avoidance test. Previously, rollover treatment was not available unless the exchange was effected for bona fide commercial purposes and was not part of arrangements of which the main or one of the main purposes was tax avoidance.

The changes made by Finance Act 2026 removed the "bona fide commercial reasons" condition and refocused the test on whether particular arrangements have been put in place to reduce or avoid a liability to tax on chargeable gains. This created concern that ordinary management rollover arrangements could be caught by the revised anti-avoidance rule, particularly where managers are given a choice between rolling over on a tax-neutral basis and receiving cash proceeds and reinvesting on a post-tax basis.

HMRC’s clarification

The updated guidance clarifies that standard management rollover arrangements should generally continue to benefit from the share exchange rules in the way the market has historically expected.

In particular, HMRC states that:

“*HMRC does not consider that the share reorganisation anti-avoidance rules will be relevant where private equity transactions are structured to allow management shareholders a degree of choice in their investment. A common example is where managers are required to re-invest, but an arrangement is put in place to allow a choice of a tax-deferred basis (using the share reorganisation rules) or a post-tax basis (reinvesting cash proceeds)”.*

This is a helpful confirmation that the revised rules are not intended to apply merely because management shareholders are offered flexibility as to how they structure their reinvestment, or because the rollover treatment produces the tax outcome contemplated by section 135.

Key Takeaway

For sponsors, management teams and advisers, the guidance provides welcome comfort that ordinary management rollover arrangements are not intended to fall within the scope of the revised anti-avoidance provisions merely because they achieve the rollover treatment contemplated by the share exchange regime.

While the revised rule remains broader than its predecessor, HMRC's comments should significantly reduce concerns that routine private equity rollover structures have been brought into scope. The analysis will still depend on the facts and the way the transaction is structured, so rollover mechanics and management reinvestment arrangements should continue to be reviewed carefully as part of transaction planning.