HYBRID SALE OF SHARES AND ASSETS OF A BUSINESS

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When the sale of a business is contemplated, one possibility is to structure the transaction as a combination of a share sale and a sale of assets. This hybrid form of transaction has proved remarkably useful in bridging the gap between the vendor and the purchaser, particularly when some of the vendor shareholders can claim a capital gains exemption. This situation can arise in the context of a family business corporation where the majority shareholder has previously carried out a freeze in favour of family members, using a family trust, or where there is an unrelated majority shareholder with a number of individual minority shareholders. This article reviews a number of provisions of the Income Tax Act (Canada) that must be considered in using this form of hybrid transaction.

KEYWORDS: SALE OF A BUSINESS • SHARES • HYBRIDS • CAPITAL GAINS • GOODWILL

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