

Dividend Stripping

Part 20-01-09

This document should be read in conjunction with sections 621 and 622 of the Taxes Consolidation Act 1997

Document last reviewed July 2022



Introduction

Section 622 of the Taxes Consolidation Act 1997 (“TCA 1997”) outlines the treatment of dividend stripping, being distributions which materially reduce the value of a holding in a company such that the shares or securities in the holding can be declared to be of negligible value and a loss claimed. **Section 622 TCA 1997** applies **section 621 TCA 1997** in such cases and treats the distribution as a depreciatory transaction, subject to certain adaptations. See guidance on **section 621 TCA 1997** at [Tax and Duty Manual Part 20-01-08](#).

Both of these sections are designed to prevent the manufacture of artificial capital losses in a group of companies. Where the value of the shares or securities of a group company has been materially reduced by such depreciatory transactions, then any loss claimed in respect of the disposal of such shares is disallowed to the extent that is just and reasonable having regard to the depreciatory transactions concerned.

9.1 Interaction between section 622 and section 621 TCA 1997

Section 622 TCA 1997 is similar to **section 621 TCA 1997** except insofar as it deals with distributions which materially reduce the value of a holding in a company such that the shares or securities in the holding can be declared to be of negligible value and a loss claimed. This process is known as “dividend stripping”. This section applies **section 621 TCA 1997** in such cases, subject to certain adaptations.

9.2 Depreciatory transactions

Where a company which is not a dealing company has a holding in another company amounting to 10% or more of all holdings of that class, and on or after 6 April 1974 a distribution is made to the holding company in respect of that holding, the distribution is to be regarded as a “depreciatory transaction” to be taken into account upon a disposal of any shares or securities comprised in that holding. Such a disposal may be by another member of the group to which the holding was transferred under **section 617 TCA 1997**.

9.3 Companies and Capital Gains Tax (CGT)

See **section 649 TCA 1997** for the provisions relating to companies chargeable to CGT on chargeable gains.