

Transfer of shares held by certain societies to society members

Part 25-01-04

This document should be read in conjunction with section 701 Taxes Consolidation Act 1997

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1 Introduction

This manual explains the provisions of section 701 of the Taxes Consolidation Act 1997 as they apply to the transfer of shares in a subsidiary company by an agricultural or fisheries co-operative to the co-operative members.

2 Details

Where an agricultural or fisheries co-operative transfers shares it owns in a subsidiary company to the co-operative members in return for the cancellation of the members' shares in the co-operative **and**

- the transaction is for bona fide commercial reasons,
- involves no consideration apart from the actual transfer of the company shares and the cancellation of the co-operative shares, and
- the transfer of the shares in the company to the co-operative members is in proportion to the members' shareholding in the co-operative,

then, the following treatment will apply to such a transfer of shares to its members:

- it will not be treated as a distribution,
- it will be treated as being for such amount as would secure that no gain or loss for chargeable gains purposes accrues to the co-operative,
- the cancellation of the co-operative members' shares will not be treated as a disposal for capital gains tax purposes, and
- the co-operative members will be treated for capital gains tax purposes as if the shares in the company which are transferred to them were acquired at the same time and for the same price at which they acquired their shares in the co-operative.