

Capital distributions by companies (S.583)

Part 19-04-05

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Note: This manual is currently subject to review and may not reflect up-to-date position.

Most recent version.

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- 5.1** The term “capital distribution” is defined in **Section 583(1)**. Most distributions in respect of shares in a company will, in general, be taxable as income, and will not, therefore, involve capital gains tax liability.

Section 583(2) provides that a capital distribution by a company (other than a distribution of new shares following a reorganisation of the share capital (**Tax Instruction [Part 19-04-06 Par. 4](#)**) is to be treated for Capital Gains Tax purposes as if the shareholder had made a part disposal of his shares.

As regards distributions (including arrears of preference dividends) in the course of dissolving or winding up a company, see (**Tax Instruction [Part 19-03-08 Par. 7](#)**).

- 5.2** Where the capital distribution in money or money’s worth is not treated as income, the shareholder should be treated as having disposed of an interest in his shares in consideration of the capital distribution, i.e. the provisions for part disposal apply and the “cost” to be allocated to the interest disposed of should be computed in accordance with **Tax Instruction [Part 19-01-04 Par. 1](#)** et seq.
- 5.3** Revenue has confirmed that a charge under **Section 583** will not be imposed where a capital distribution is generated purely by an internal group restructuring undertaken for bona fide purposes.