

Dividend Stripping

Part 20-01-09

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

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A more recent version of this manual is available

1. **Section 622** is similar to **section 621** 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** in such cases, subject to certain adaptations.
2. 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 6th April, 1974 a distribution is made to the holding company in respect of that holding, the distribution is to be regarded as a “deprecatory transaction” to be taken into account upon a disposal of any shares or securities comprised in that holding. Such disposal may be by another member of the group to which the holding was transferred under **Section 617**.
3. See **section 649** for the provisions relating to companies chargeable to capital gains tax on chargeable gains.