

Matters to be treated or not treated as repayments of share capital. CTA76 s86 132.—(1) In this section, “relevant distribution” means so much of any distribution made in respect of shares representing the relevant share capital as apart from subsection (2)(a) would be treated as a repayment of share capital, but by virtue of that subsection cannot be so treated.

(2) (a) Where—

(i) a company issues any share capital as paid up otherwise than by the receipt of new consideration, or has done so on or after the 27th day of November, 1975, and

(ii) any amount so paid up is not to be treated as a distribution,

then, for the purposes of sections 130 and 131, distributions made afterwards by the company in respect of shares representing that share capital shall not be treated as repayments of share capital, except to the extent to which those distributions, together with any relevant distributions previously so made, exceed the amounts so paid up (then or previously) on such shares after that date and not treated as distributions.

(b) For the purposes of paragraph (a), all shares of the same class shall be treated as representing the same share capital, and where shares are issued in respect of other shares, or are directly or indirectly converted into or exchanged for other shares, all such shares shall be treated as representing the same share capital.

(3) Where share capital is issued at a premium representing new consideration, the amount of the premium shall be treated as forming part of that share capital for the purpose of determining under this Chapter whether any distribution made in respect of shares representing the share capital is to be treated as a repayment of share capital; but this subsection shall not apply in relation to any part of the premium after that part has been applied in paying up share capital.

(4) Subject to subsection (3), premiums paid on redemption of share capital shall not be treated as repayments of capital.

(5) Except in relation to a close company within the meaning of section 430, subsection (2)(a) shall not prevent a distribution being treated as a repayment of share capital if it is made—

(a) more than 10 years after the issue of share capital mentioned in subsection (2)(a)(i), and

(b) in respect of share capital other than redeemable share capital.