

Taxation of dealer's receipts on purchase of shares by issuing company or by its subsidiary. FA91 s60
174.—(1) In this section—

“fixed-rate preference shares” means shares which—

- (a) were issued wholly for new consideration,
- (b) do not carry any right either to conversion into shares or securities of any other description or to the acquisition of any additional shares or securities,
- (c) do not carry any right to dividends other than dividends which are of a fixed amount or at a fixed rate per cent of the nominal value of the shares, and
- (d) carry rights in respect of dividends and capital which are comparable with those general for fixed-dividend shares quoted on a stock exchange in the State;

“new consideration” has the meaning assigned to it by section 135.

(2) Where—

- (a) a company purchases its own shares from a dealer, or
- (b) a company, which is a subsidiary of the Companies Act, 1963) of another company, purchases the other company's shares from a dealer,

the purchase price shall be taken into account in computing the profits of the dealer chargeable to tax under Case I or II of Schedule D, and accordingly—

- (i) tax shall not be chargeable under Schedule F in respect of any distribution represented by any part of the price,
- (ii) the dealer shall not be entitled to a tax credit in respect of the distribution under section 136, and
- (iii) sections 129 and 152 shall not apply to the distribution.

(3) For the purposes of subsection (2), a person shall be a dealer in relation to shares of a company if the price received on their sale by the person other than to the company, or to a company which is a subsidiary of the Companies Act, 1963) of the company, would be taken into account in computing the person's profits chargeable to tax under Case I or II of Schedule D.

(4) Subject to subsection (5), in subsection (2)—

(a) the reference to the purchase of shares includes a reference to the redemption or repayment of shares and the purchase of rights to acquire shares, and

(b) the reference to the purchase price includes a reference to any sum payable on redemption or repayment.

(5) Subsection (2) shall not apply in relation to—

(a) the redemption of fixed-rate preference shares, or

(b) the redemption, on binding terms settled before the 18th day of April, 1991, of other preference shares issued before that date,

if in either case the shares were issued to and continuously held by the person from whom they are redeemed.