

Distributions in kind: determination of amount

119. (1) This section applies for determining the amount of a distribution consisting of or including, or treated as arising in consequence of, the sale, transfer or other disposition by a company of a non-cash asset where—

(a) at the time of the distribution the company has profits available for distribution; and

(b) if the amount of the distribution were to be determined in accordance with this section, the company could make the distribution without contravening this Part.

(2) The amount of the distribution (or the relevant part of it) is taken to be—

(a) in a case where the amount or value of the consideration for the disposition is not less than the book value of the asset, zero;

(b) in any other case, the amount by which the book value of the asset exceeds the amount or value of any consideration for the disposition.

(3) For the purposes of subsection (1)(a), the company's profits available for distribution are treated as increased by the amount (if any) by which the amount or value of any consideration for the disposition exceeds the book value of the asset.

(4) In this section “book value”, in relation to an asset, means—

(a) the amount at which the asset is stated in the relevant financial statements referred to in section 121; or

(b) where the asset is not stated in those financial statements at any amount, zero.

(5) The provisions of section 121 shall have effect subject to this section.