

Purchase of unquoted shares by issuing company or its subsidiary. FA91 s61 176.—(1) Notwithstanding Chapter 2 of this Part, references in the Tax Acts to distributions of a company, other than any such references in sections 440 and 441, shall be construed so as not to include references to a payment made by a company on the redemption, repayment or purchase of its own shares if the company is an unquoted trading company or the unquoted holding company of a trading group and either—

(a) (i) the redemption, repayment or purchase—

(I) is made wholly or mainly for the purpose of benefiting a trade carried on by the company or by any of its 51 per cent subsidiaries, and

(II) does not form part of a scheme or arrangement the main purpose or one of the main purposes of which is to enable the owner of the shares to participate in the profits of the company or of any of its 51 per cent subsidiaries without receiving a dividend,

and

(ii) the conditions specified in sections 177 to 181, in so far as applicable, are satisfied in relation to the owner of the shares, or

(b) the person to whom the payment is made—

(i) applies the whole or substantially the whole of the payment (apart from any sum applied in discharging that person's liability to capital gains tax, if any, in respect of the redemption, repayment or purchase) to discharging—

(I) within 4 months of the valuation date of the Capital Acquisitions Tax Act, 1976 ) of a taxable inheritance of the company's shares taken by that person, a liability to inheritance tax in respect of that inheritance, or

(II) within one week of the day on which the payment is made, a debt incurred by that person for the purpose of discharging that liability to inheritance tax,

and

(ii) could not without undue hardship have otherwise discharged that liability to inheritance tax and, where appropriate, the debt so incurred.

(2) Where subsection (1) would apply to a payment made by a company which is a subsidiary of the Companies Act, 1963 ) of another company on the acquisition of shares of the other company if for the purposes of the Tax Acts other than this subsection—

(a) the payment were to be treated as a payment by the other company on the purchase of its own shares,

and

(b) the acquisition by the subsidiary of the shares were to be treated as a purchase by the other company of its own shares,

then, notwithstanding Chapter 2 of this Part, references in the Tax Acts to distributions of a company, other than references in sections 440 and 441, shall be construed so as not to include references to the payment made by the subsidiary.