

Taxation of income deemed to arise from transfers of right to receive interest from securities. ITA67 s449; CTA76 s140(1) and Sch2 Ptl par22 812.—(1) In this section—

“interest” includes dividends, annuities and shares of annuities;

“securities” include stocks and shares of all descriptions.

(2) Where in any year of assessment or accounting period an owner (in this section referred to as “the owner”) of any securities sells or transfers the right to receive any particular interest payable (whether before or after such sale or transfer) in respect of those securities without selling or transferring those securities, then, and in every such case, the following provisions shall apply:

(a) for the purposes of the Tax Acts that interest (whether it would or would not be chargeable to tax if this section had not been enacted)—

(i) shall be deemed to be the income of the owner or, where the owner is not the beneficial owner of the securities and some other person (in this section referred to as “the beneficiary”) is beneficially entitled to the income arising from the securities, the income of the beneficiary,

(ii) shall be deemed to be income of the owner or the beneficiary, as the case may be, for that year of assessment or accounting period, as the case may be,

(iii) shall not be deemed to be income of any other person, and

(iv) shall, where the proceeds of the sale or transfer are chargeable to tax under Schedule C or under Chapter 2 of Part 4, be deemed to be equal in amount to the amount of those proceeds;

(b) where the right to receive that particular interest is subsequently sold, transferred or otherwise realised, the proceeds of such subsequent sale, transfer or other realisation shall not be deemed for any of the purposes of the Tax Acts to be income of the person by or on whose behalf such subsequent sale, transfer or other realisation is made or effected;

(c) where the securities are of such character that the interest payable in respect of the securities may be paid without deduction of tax, then, unless the owner or beneficiary, as the case may be, shows that the proceeds of any sale or other realisation of the right to receive the interest, which is deemed to be income of the owner or of the beneficiary, as the case may be, by virtue of this section, have been charged to tax under Schedule C or under Chapter 2 of Part 4, the owner or beneficiary, as the case may be, shall be chargeable to tax under Case IV of Schedule D in respect of that interest, but shall be entitled to credit for any tax which that interest is shown to have borne;

(d) where in any case to which paragraph (c) applies the computation of the tax in respect of the interest which is made chargeable under Case IV of Schedule D by that paragraph would, if that interest had been chargeable under Case III of Schedule D, have been made by reference to the amount received in the

State, the tax chargeable pursuant to paragraph (c) shall be computed on the full amount of the sums received in the State in the year of assessment or in any subsequent year of assessment in which the owner remains the owner of the securities;

(e) nothing in this subsection shall affect any provision of the Tax Acts authorising or requiring the deduction of tax from any interest which is deemed by virtue of this subsection to be income of the owner or of the beneficiary or from the proceeds of any subsequent sale, transfer or other realisation mentioned in this subsection of the right to receive that particular interest.

(3) In relation to corporation tax—

(a) subsection (2)(c) shall apply (subject to the provisions of the Corporation Tax Acts relating to distributions) to any interest, whether or not the securities are of such character that the interest may be paid without deduction of tax, and as if “, but shall be entitled to credit for any tax which that interest is shown to have borne” were deleted, and

(b) subsection (2)(d) shall not apply.

(4) The Revenue Commissioners may by notice in writing require any person to furnish them, within such time (not being less than 28 days from the service of the notice) as shall be specified in the notice, with such particulars in relation to all securities of which such person was the owner at any time during the period specified in the notice as the Revenue Commissioners may consider to be necessary for the purposes of this section or for the purpose of discovering whether—

(a) tax has been borne in respect of the interest payable in respect of those securities, or

(b) the proceeds of any sale, transfer or other realisation of the right to receive the interest in respect of those securities has been charged to tax under Schedule C or under Chapter 2 of Part 4.