

Treatment of dividends on certain preference shares. FA84 s42(1), (2) and (3); FA 89 s26 138.—(1) In this section—

“preference shares” does not include preference shares—

(a) which are quoted on a stock exchange in the State,

(b) which are not so quoted but which carry rights in respect of dividends and capital comparable with those general for fixed-dividend shares quoted on a stock exchange in the State, or

(c) which are non-transferable shares issued on or after the 6th day of April, 1989, by a company in the course of carrying on relevant trading operations within the meaning of section 445 or 446, to a company—

(i) none of the shares of which is beneficially owned, whether directly or indirectly, by a person resident in the State, and

(ii) which, if this paragraph had not been enacted, would not be chargeable to corporation tax in respect of any profits other than dividends which would be so chargeable by virtue of this section;

“shares” includes stock.

(2) This section shall apply to any dividend which—

(a) is paid by a company (in this section referred to as “the issuer”) to another company (in this section referred to as “the subscriber”) within the charge to corporation tax, and

(b) is so paid in respect of preference shares of the issuer.

(3) Notwithstanding any provision of the Tax Acts—

(a) the subscriber shall not be entitled to a tax credit in respect of a dividend to which this section applies, and

(b) the dividend shall be chargeable to corporation tax under Case IV of Schedule D.