HMRC - STSM078030 - Dividend Reinvestment Plans (DRIPS)

Under a Dividend Reinvestment Plan, or DRIP, shareholders elect on an ongoing basis to reinvest all future cash dividend payments in the purchase of additional shares in the company, rather than taking them in cash.

As with other optional stock dividend schemes, the cash dividend amounts are pooled as consideration either to subscribe for an issue of new shares or to purchase the company’s shares on the secondary market. The shares are then allocated pro rata according to shareholding.

The stamp duty and SDRT treatment is the same as that for optional stock dividend schemes: see STSM078010, STSM055130 and STSM055160.

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