



Capital Gains Tax Act 1979

1979 CHAPTER 14

PART IV

SHARES AND SECURITIES

CHAPTER I

GENERAL

Capital distribution in respect of shares, etc.

72 Distribution which is not a new holding within Chapter II

- (1) Where a person receives or becomes entitled to receive in respect of shares in a company any capital distribution from the company (other than a new holding as defined in section 77 below) he shall be treated as if he had in consideration of that capital distribution disposed of an interest in the shares.
- (2) If the inspector is satisfied that the amount distributed is small, as compared with the value of the shares in respect of which it is distributed, and so directs—
 - (a) the occasion of the capital distribution shall not be treated for the purposes of this Act as a disposal of the asset, and
 - (b) the amount distributed shall be deducted from any expenditure allowable under this Act as a deduction in computing a gain or loss on the disposal of the shares by the person receiving or becoming entitled to receive the distribution of capital.
- (3) A person who is dissatisfied with the refusal of the inspector to give a direction under this section may appeal to the Commissioners having jurisdiction on an appeal against an assessment to tax in respect of a gain accruing on the disposal.
- (4) Where the allowable expenditure is less than the amount distributed (or is nil)—
 - (a) subsections (2) and (3) above shall not apply, and

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- (b) if the recipient so elects (and there is any allowable expenditure)—
 - (i) the amount distributed shall be reduced by the amount of the allowable expenditure, and
 - (ii) none of that expenditure shall be allowable as a deduction in computing a gain accruing on the occasion of the capital distribution, or on any subsequent occasion. In this subsection “allowable expenditure” means the expenditure which immediately before the occasion of the capital distribution was attributable to the shares under paragraphs (a) and (b) of section 32(1) above.
- (5) In this section—
- (a) the “amount distributed” means the amount or value of the capital distribution,
 - (b) “capital distribution” means any distribution from a company, including a distribution in the course of dissolving or winding up the company, in money or money's worth except a distribution which in the hands of the recipient constitutes income for the purposes, of income tax.

73 Disposal of right to acquire shares

- (1) Where a person receives or becomes entitled to receive in respect of any shares in a company a provisional allotment of shares in or debentures of the company and he disposes of his rights section 72 above shall apply as if the amount of the consideration for the disposal were a capital distribution received by him from the company in respect of the first-mentioned shares, and as if that person had, instead of disposing of the rights, disposed of an interest in those shares.
- (2) If under Schedule 5 to this Act it is to be assumed that, at a time after the creation of the rights and before their disposal, the said person sold and immediately re-acquired the shares in respect of which the rights were created, the same assumption shall be made as respect the rights.
- (3) This section shall apply in relation to rights obtained in respect of debentures of a company as it applies in relation to rights obtained in respect of shares in a company.