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SCHEDULES.

SCHEDULE 17

SUPPLEMENTARY PROVISIONS ABOUT DIVIDEND STRIPPING.

Construction of references to holdings.

- 2 (1) Subject to sub-paragraph (3) below, references to a holding in a company refer to a holding of shares, securities or rights by virtue of which the holder may receive distributions made by the company, but so that a person's holdings of different classes, and a person's holdings of the same class acquired at different times, shall be treated as separate holdings.
- (2) Holdings of shares, securities or rights which differ in the entitlements or obligations they confer or impose shall be regarded as holdings of different classes.
- (3) References to a holding in a company shall not apply, unless the contrary intention appears, to a holding consisting of shares which satisfy the following conditions:—
- (a) that they are fully paid and do not carry any right to dividends other than dividends at a rate per cent. of the nominal value of the shares which is fixed or fluctuates only with the standard rate of income tax ; and
 - (b) that the rights which they carry in respect of dividends and capital are comparable with those general for fixed-dividend shares quoted on stock exchanges in the United Kingdom; and
 - (c) that no part of the share capital represented by the shares has at any time been treated as paid up otherwise than by the receipt by the company of new consideration.
- (4) Sub-paragraph (3) above shall not operate in relation to any acquisition of such a holding as is there mentioned if either—
- (a) at the time of that acquisition dividends on the shares were more than twelve months in arrear and would or might become payable thereafter ; or
 - (b) as a sequel to or in contemplation of that acquisition or any related acquisition of a holding in the company (but before the making of the distribution which is in question under the principal section) there has been any alteration of the rights attached to the shares or, so as materially to affect those rights or the operation of those rights, any alteration of the rights attached to or comprised in holdings of any other class in the company.

For purposes of this sub-paragraph " related acquisitions " are acquisitions by the same person or by persons acting in concert and acquisitions together comprised in arrangements made by any person.

- 3 (1) In the application of subsection (1)(a) of the principal section all the recipient's holdings of the same class in the company are to be treated as ingredients constituting a single holding, together with such holdings of other persons as are mentioned below, except that no account shall be taken under any provision of this paragraph of a person's holdings acquired before the year 1960-61.

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- (2) A person's holding in a company shall be treated as an ingredient in the same holding as the recipient's if the holdings are - of the same class, and either—
- (a) the transaction in pursuance of which he acquired the holding in question and the transaction in pursuance of which the recipient acquired any holding of that class were entered into by them in concert or were together comprised in arrangements made by any person ; or
 - (b) he and the recipient are both dealers, and his trade as dealer is under the same control as that of the recipient.

For purposes of this sub-paragraph two trades shall be regarded as under the same control if they are carried on by persons one of whom is a body of persons over whom the other has control (within the meaning assigned to that expression by section 333 of the Income Tax Act 1952), or both of whom are bodies of persons under the control (as so defined) of a third person ; and for this purpose " body of persons " includes a partnership.

- (3) A holding acquired in right of another holding shall be included under sub-paragraph (2)(a) above where that other holding would be so included ; and for this purpose holdings acquired in pursuance of an offer or invitation made in respect of any holdings in the company and restricted to the holders thereof shall be treated as acquired in right of their holdings.