



# Taxation of Chargeable Gains Act 1992

## 1992 CHAPTER 12

### PART VI

COMPANIES, OIL, INSURANCE ETC.

#### CHAPTER I

COMPANIES

*Losses attributable to depreciatory transactions*

#### 177 Dividend stripping

- (1) The provisions of this section apply where one company (“the first company”) has a holding in another company (“the second company”) and the following conditions are fulfilled—
  - (a) that the holding amounts to, or is an ingredient in a holding amounting to, 10 per cent. of all holdings of the same class in the second company,
  - (b) that the first company is not a dealing company in relation to the holding,
  - (c) that a distribution is or has been made to the first company in respect of the holding, and
  - (d) that the effect of the distribution is that the value of the holding is or has been materially reduced.
- (2) Where this section applies in relation to a holding, section 176 shall apply, subject to subsection (3) below, in relation to any disposal of any shares or securities comprised in the holding, whether the disposal is by the first company or by any other company to which the holding is transferred by a transfer to which section 171 or 172 applies, as if the distribution were a depreciatory transaction and, if the companies concerned are not members of a group of companies, as if they were.
- (3) The distribution shall not be treated as a depreciatory transaction to the extent that it consists of a payment which is required to be or has been brought into account, for

---

*Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.*

---

the purposes of corporation tax on chargeable gains, in computing a chargeable gain or allowable loss accruing to the person making the ultimate disposal.

- (4) This section shall be construed as one with section 176, and in any case where the ultimate disposal is not one to which section 35(2) applies, the reference in subsection (1)(c) above to a distribution does not include a distribution made before 30th April 1969.
- (5) For the purposes of this section a company is “a dealing company” in relation to a holding if a profit on the sale of the holding would be taken into account in computing the company’s trading profits.
- (6) References in this section to a holding in a company refer to a holding of shares or securities by virtue of which the holder may receive distributions made by the company, but so that—
- (a) a company’s holdings of different classes in another company shall be treated as separate holdings, and
  - (b) holdings of securities which differ in the entitlements or obligations they confer or impose shall be regarded as holdings of different classes.
- (7) For the purposes of subsection (1) above—
- (a) all a company’s holdings of the same class in another company are to be treated as ingredients constituting a single holding, and
  - (b) a company’s holding of a particular class shall be treated as an ingredient in a holding amounting to 10 per cent. of all holdings of that class if the aggregate of that holding and other holdings of that class held by connected persons amounts to 10 per cent. of all holdings of that class,
- and section 286 shall have effect in relation to paragraph (b) above as if, in subsection (7) of that section, after the words “or exercise control of” in each place where they occur there were inserted the words “or to acquire a holding in”.