

Valuation of assets (S.548)

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- 7.1** The market value of units of which the values are quoted regularly by the managers should be taken as the buying (or, as it is more generally called, the "bid", i.e., the lower) price on the relevant day or, where the prices were not published by the managers on that day, the latest day before.

While the value given by a taxpayer in respect of a unit should normally be accepted it may on occasion be necessary to verify the valuation provided. Some unit trust units are quoted on the Stock Exchange. Such quotations should be disregarded.

Dividend equalisation payments

- 7.2** Where the managers do not publish prices regularly, the units should be treated as if they were unquoted shares.
- 7.3** A person who buys units during an accounting period of a unit trust is not entitled to a share of the income of the underlying investments which accrues before this purchase. At the end of each accounting period, however, the managers allocate the same amount from the income fund to each unit, and to allow for this a "dividend equalisation payment" equal to the net amount of income which has arisen up to the date of purchase on an existing unit is included in the purchase price of each new unit. As this payment is added to the amount available for distribution, it is in effect repaid to the purchaser whose dividend warrant shows separately the amount of the true income and the amount of the returned dividend equalisation payment respectively.

The returned dividend equalisation payment should not be regarded as distribution but as a reduction in the amount of the allowable expenditure.

No enquiry should be made, however, where it appears that the amount of tax arising from such an adjustment would be trivial.