

Conversion of securities (S.585)

ITCGT CT Manual Part 19-04-09

Document last reviewed April 2017

9.1 **Section 585** applies, to the conversion of securities, the general rule for the treatment of the reorganisation of a company's share capital (with the necessary adaptations). The effect of this is that -

- (a) If no consideration (except shares or securities) passes, the conversion does not constitute a disposal of the original securities, and the new shares or securities [see **Par. 2 (b)**] are treated as having been acquired at the same time as the old securities were acquired;
- (b) If any consideration other than the new holding passes to the holder the instructions in **Tax Instruction [Part 19-04-06](#) Par. 16** apply;
- (c) If the holder gives any consideration other than the original shares for the new shares, the instructions in **Tax Instruction [Part 19-04-06](#) Par. 5** apply.

9.2 A "conversion of securities", as defined in **Section 585(1)**, includes -

- (a) a conversion of securities of a company (e.g., loan stock or debentures) into shares in the company;
- (b) a conversion at the option of the holder of the securities converted as an alternative to the redemption of those securities for cash where the conversion takes place **before 4 December 2002** or, if after that date, pursuant to a written binding agreement made before that date, and
- (c) an exchange of securities made in pursuance of any law providing for the compulsory acquisition of shares or securities in return for the issue of securities or other securities.

The definition of "security" comprises any loan stock or similar security, whether of any government or of any public or local authority, or of any company and whether secured or unsecured, but excluding Irish Government and Government-guaranteed securities falling within **Section 607**. In this context, however, it does not include the shares of a company.

Note that, for the purposes of this section, a conversion of securities shall not include a conversion of securities into units in an investment undertaking, being a company. "Investment undertaking" and "unit" have the same meanings, respectively, as in section 739B.