

[20.1.9] Dividend Stripping (S.622)

- 9.1** **Section 622** is similar to **section 621** except insofar as it deals with distributions which materially reduce the value of a holding in a company such that the shares or securities in the holding can be declared to be of negligible value and a loss claimed. This process is known as “dividend stripping”. This section applies **section 621** in such cases, subject to certain adaptations.
- 9.2** Where a company which is not a dealing company has a holding in another company amounting to 10% or more of all holdings of that class, and on or after 6th April, 1974 a distribution is made to the holding company in respect of that holding, the distribution is to be regarded as a “deprecatory transaction” to be taken into account upon a disposal of any shares or securities comprised in that holding. Such disposal may be by another member of the group to which the holding was transferred under **Section 617**.
- 9.3** See **Section 649** for the provisions relating to companies chargeable to capital gains tax on chargeable gains.

Reviewed April 2016