

## **Section 701 TCA 1997: Transfer of shares held by certain societies to members of society**

Where an agricultural or fisheries co-operative transfers shares it owns in a subsidiary company to the co-operative members in return for the cancellation of the members' shares in the co-operative and

- the transaction is for bona fide commercial reasons,
- involves no consideration apart from the actual transfer of the company shares and the cancellation of the co-operative shares, and
- the transfer of the shares in the company to the co-operative members is in proportion to the members' shareholding in the co-operative,

then, the transfer by the co-operative to its members of shares owned by it in the company

- will not be treated as a distribution,
- will be treated as being for such amount as would secure that no gain or loss for chargeable gains purposes accrues to the co-operative,
- the cancellation of the co-operative members' shares will not be treated as a disposal for capital gains tax purposes, and
- the co-operative members will be treated for capital gains tax purposes as if the shares in the company which are transferred to them were acquired at the same time and for the same price at which they acquired their shares in the co-operative.

However, on the issue of shares by a co-operative to its members:

- which arises in connection with the trading relationship between the member and the relevant co-operative or a purchaser nominated by the co-operative,
- where the amount of shares issued is dependent on the level of business between the member and the co-operative or the nominated purchaser, and
- where the shares are issued at less than market value,

then Revenue will regard the difference between the subscription amount and the market value of the shares (known as 'patronage shares') at the date of issue as a profit of the business of the member.

*Updated November 2016*