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Facts

B intends, as a way to bolster its capital, to implement a scrip dividend scheme (the "Scheme"). Under the Scheme, the ordinary shareholders of B will have the option of receiving their future dividends, or part thereof, by way of ordinary shares in B (the "Scrip Shares"). The Shareholders will have new shares issued in lieu of dividends as contemplated under section 64 of the Companies Act 2001.

The details of the proposed Scheme are as follows:

- (i) The issuance of Scrip Shares will be in conformity with section 64 (Shares in lieu of Dividends) of the Companies Act 2001; and
- (ii) The shareholders will elect between availing of dividends in cash and/ or the issuance of Scrip Shares in proportion to be set out in the rules of the Scheme (the "Scrip Shareholders").

Point at issue

Whether Scrip Shares should be excluded from the determination of "leviable income" under Part III Sub-Part AB of the Income Tax Act 1995?

Ruling

On the basis of facts provided, it is ruled that the total value of the Scrip Shares, that is, shares in lieu of dividends should be included in leviable income for the purpose of calculating solidarity levy in accordance with the provisions in sections 2, 16B and 16C of the Income Tax Act.