

TR 8

Facts

An investment company listed on the official list of the Stock Exchange proposes to transfer the significant differential between the market price and the underlying net asset value (NAV) of the company's shares to a Unit Trust Scheme (authorised under Unit Trust Act 1989) which will be an open-ended Fund (having no predetermined limit) and will invest primarily in listed and unlisted securities, bonds and deposits. Subsequently, the company will distribute a dividend equivalent to the "differential" to its shareholders who will be required to re-invest in the Unit Trust Scheme.

Points at issue

- a) Whether an existing shareholder of the company who will be allotted shares in the Unit Trust Scheme will be entitled to investment relief under Section 36 of the Income Tax Act 1995.
- b) Whether a corporate shareholder of the company will be entitled to an investment tax credit under Section 69 of the Income Tax Act 1995 in respect of units allotted to it.

Ruling

- a) An existing shareholder who will be allotted shares in the Unit Trust Scheme will be entitled to investment relief under Section 36 of the Income Tax Act 1995.
- b) Likewise, an existing corporate shareholder of the company will be entitled to an investment tax credit under Section 69 of the Income Tax Act 1995 in respect of shares allotted to it.