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Facts

A Ltd holds a Category 1 Global Business Licence, and operates as a collective investment scheme. The preference shares issued by the Company have been categorized as liabilities in the balance sheet, in accordance with International Accounting Standards, and are therefore debt in nature. In lieu of a performance fee, which is usually an allowable expense, a preference share dividend is declared and payable to the manager, based on the performance of the Company.

Point in issue

Confirmation as to whether preference share dividend should be treated as an allowable expense.

Ruling

On the basis of facts provided, it is confirmed that dividends paid on the preference shares which have been classified in the balance sheet as a liability in accordance with International Accounting Standards, should be treated as an allowable expense.