

Interest paid on a loan taken out to redeem preference shares – Supreme Court decision summary

Part 04-06-20

This document should be read in conjunction with section 81 of the Taxes Consolidation Act 1997.

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Executive summary

This manual contains an extract from Tax Briefing issue 44 which outlines the Supreme Court decision in a case of Sean MacAonghusa (Inspector of Taxes) v Ringmahon Company. The issue was whether a payment of interest was laid out wholly and exclusively for the purposes of a company's trade.

Extract from Tax Briefing Issue 44 (June 2001)

Case:	Sean MacAonghusa (Inspector of Taxes) v Ringmahon Company.
Point at Issue:	Whether a payment of interest was laid out wholly and exclusively for the purposes of a company's trade.
Decision made by:	The Supreme Court
Decision Date:	29 May 2001
Relevant Legislation:	Section 61(a) Income Tax Act 1967 (Section 81(2)(a) Taxes Consolidation Act 1997).

Summary of Supreme court decision

The Supreme Court found unanimously that interest paid on a **loan taken out to redeem preference shares** was laid out wholly and exclusively for the purposes of the company's trade. Mr. Justice Geoghegan found considerable support in the Canadian case of **Trans Prairie Pipelines Limited v Minister of National Revenue 70 DTC 6351** for the views he had taken.

This summary is for reference only and readers are recommended to read the full text of the judgments.