Market value of units (S.548)

Part 19-02-07

This document should be read in conjunction with section 548
of the Taxes Consolidation Act 1997

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Revenue
Cáin agus Custaim na hÉireann
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Introduction

Section 548 of the Taxes Consolidation Act 1997 ("TCA 1997") sets out the meaning of market value where this is required for Capital Gains Tax ("CGT") purposes. The situations where the market value of an asset is of importance for CGT purposes include transfers by gift and other transfers by means of bargains not at arm's length, certain disposals and reacquisitions of trust assets and cases where gains or losses on the disposal of an asset are to be computed by reference to market value at 6 April 1974.

The basic rule is that market value is the price which an asset might reasonably be expected to fetch on a sale in the open market. In the case of shares or securities quoted on a stock exchange in Ireland or in the United Kingdom, market value is to be based on the quotations as published in official lists. For unquoted shares it is to be assumed that in arriving at the market value full information about the shares is available to the prospective purchaser.

7.1 Market value of units

The market value of units for which the values are quoted regularly by the managers should be taken as the buying price (or, as it is more generally called, the "bid"), i.e. the lower price on the relevant day or, where the prices were not published by the managers on that day, the latest day before.

While the value given by a taxpayer in respect of a unit should normally be accepted it may on occasion be necessary to verify the valuation provided. Some unit trust units are quoted on the Stock Exchange. Such quotations should be disregarded.

Where the managers do not publish prices regularly, the units should be treated as if they were unquoted shares for the purpose of determining market value.

7.2 Unit trusts: dividend equalisation payments

A person who buys units during an accounting period of a unit trust is not entitled to a share of the income of the underlying investments which accrues before this purchase. At the end of each accounting period however, the managers allocate the same amount from the income fund to each unit. To compensate for this a "dividend equalisation payment" equal to the net amount of income which has arisen up to the date of purchase on an existing unit is included in the purchase price of each new unit. As this payment is added to the amount available for distribution, it is effectively repaid to the purchaser whose dividend voucher should show both the amount of the true income and the amount of the returned dividend equalisation payment.

The returned dividend equalisation payment should not be regarded as a distribution but as a reduction. It is a return of the initial price paid and it should therefore reduce the price paid when computing the chargeable gain on eventual disposal.

No enquiry should be made, however, where it appears that the amount of tax arising from such an adjustment would be trivial.