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## Finance abandons the surplus stripping rules for now

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On October 19, 2017, the Department of Finance (“**Finance**”) announced that it will abandon the proposed tax measures aimed at restricting the conversion of income into capital gains (“**anti-surplus stripping rules**”).

The controversial anti-surplus stripping rules were introduced on July 18, 2017 (see CBT’s summary [here](#)) with immediate effect. The proposed measures created uncertainty and may have caused unintended tax consequences on the intergenerational passage of family businesses and distributions by private companies to their shareholders.

With today’s announcement, it appears that the tax planning strategy to avoid double tax on death (commonly referred to as “pipeline planning”) may resume with the pre-July 18, 2017 cautions.

The Government also announced its intent to review how to make intergenerational transfers of farming businesses, and other small businesses more efficient and less difficult.