

Status: Point in time view as at 26/02/1992.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1991, SCHEDULE 13. (See end of Document for details)

SCHEDULES

SCHEDULE 13

Section 58.

MANUFACTURED DIVIDENDS AND INTEREST

The new arrangements

1 After Schedule 23 to the Taxes Act 1988 there shall be inserted—

“SCHEDULE 23A

Section 736A.

MANUFACTURED DIVIDENDS AND INTEREST

Interpretation

1 (1) In this Schedule—

“approved stock lending arrangement means an arrangement such as is mentioned in subsection (1), (2) or (2A) of section 129 and in relation to which that section and section 149B(9) of the 1979 Act apply;

“dividend manufacturer has the meaning given by paragraph 2(1) below;

“dividend manufacturing regulations means regulations made by the Treasury under this Schedule;

“interest manufacturer has the meaning given by paragraph 3(1) below;

“manufactured dividend, “manufactured interest and “manufactured overseas dividend shall be construed respectively in accordance with paragraphs 2, 3 and 4 below, as shall references to the gross amount thereof;

“market maker, in relation to any shares, stock or other securities, means a person who—

(a) holds himself out at all normal times in compliance with the rules of the Stock Exchange as willing to buy and sell shares, stock or other securities of the kind concerned at a price specified by him, and

(b) is recognised as doing so by the Council of the Stock Exchange,

but subject to any regulations under sub-paragraph (2) below;

“overseas dividend means any interest, dividend or other annual payment payable in respect of any overseas securities;

“overseas dividend manufacturer has the meaning given by paragraph 4(1) below;

“overseas securities means—

(a) shares, stock or other securities issued by a government or public or local authority of a territory outside the United Kingdom or by any other body of persons not resident in the United Kingdom; and

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- (b) quoted Eurobonds held in a recognised clearing system, within the meaning of section 124;
- “overseas tax means tax under the law of a territory outside the United Kingdom;
- “overseas tax credit means any such credit under the law of a territory outside the United Kingdom in respect of overseas tax as corresponds to a tax credit;
- “prescribed means prescribed in dividend manufacturing regulations;
- “recognised clearing house means a recognised clearing house within the meaning of the Financial Services Act 1986;
- “recognised investment exchange means a recognised investment exchange within the meaning of that Act;
- “securities includes any loan stock or similar security;
- “transfer includes any sale or other disposal;
- “unapproved manufactured payment, subject to any regulations under sub-paragraph (2) below, means—
- (a) any manufactured dividend, manufactured interest or manufactured overseas dividend paid in connection with an unapproved stock lending arrangement, and
- (b) any manufactured dividend or manufactured interest not falling within paragraph (a) above which is paid in respect of United Kingdom securities or United Kingdom equities by a person other than one who is—
- (i) a market maker in relation to United Kingdom securities or United Kingdom equities of the kind in question, or
- (ii) in such circumstances as may be prescribed, a member, of a prescribed class or description, of a prescribed recognised investment exchange, or
- (iii) in such circumstances as may be prescribed, a prescribed recognised clearing house, and which is so paid otherwise than in connection with an approved stock lending arrangement;
- “unapproved stock lending arrangement means an arrangement such as is mentioned in subsection (1), (2) or (2A) of section 129, but which, in consequence of regulations under subsection (4) of that section, is not an approved stock lending arrangement;
- “United Kingdom equities means shares of any company resident in the United Kingdom;
- “United Kingdom securities means securities of the government of the United Kingdom, of any public or local authority in the United Kingdom or of any company or other body resident in the United Kingdom, but does not include quoted Eurobonds held in a recognised clearing system, within the meaning of section 124, or United Kingdom equities.
- (2) Dividend manufacturing regulations may amend sub-paragraph (1) above—
- (a) by changing the definition for the time being of “market maker”; or
- (b) by changing the definition for the time being of “unapproved manufactured payment”.

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Manufactured dividends on United Kingdom equities

- 2 (1) This paragraph applies in any case where, under a contract or other arrangements for the transfer of United Kingdom equities, one of the parties (the “dividend manufacturer”) is required to pay to the other (“the recipient) an amount representative of a dividend on the equities; and in this Schedule the “manufactured dividend means any payment which the dividend manufacturer makes in discharge of that requirement.
- (2) If, in a case where this paragraph applies, the dividend manufacturer is a company resident in the United Kingdom, then, for all purposes of the Tax Acts, the manufactured dividend shall be treated as if it were a dividend of, and paid by, the dividend manufacturer (and shall accordingly be a distribution of the dividend manufacturer for those purposes).
- (3) If, in a case where this paragraph applies, the dividend manufacturer is not such a company as is mentioned in sub-paragraph (2) above (so that section 737 applies in relation to the dividend manufacturer) the manufactured dividend shall for all purposes of the Tax Acts be treated in relation to the recipient and all persons claiming title through or under him—
 - (a) as if the manufactured dividend were a dividend on the United Kingdom equities,
 - (b) as if any amount required in consequence of section 737 to be deducted by the dividend manufacturer on account of income tax in respect of the gross amount of the manufactured dividend were required to be accounted for by him as advance corporation tax in respect of the dividend, and
 - (c) as if any certificate of deduction of tax required in consequence of that section to be issued in connection with the manufactured dividend were the tax credit certificate that would have been issued had the manufactured dividend in fact been a dividend on the United Kingdom equities.
- (4) For the purposes of sub-paragraph (3)(b) above, the gross amount of a manufactured dividend is the aggregate of the amount of the manufactured dividend and the amount of the tax credit that would have been issued in respect thereof had the manufactured dividend in fact been a dividend on the United Kingdom equities.

Manufactured interest on United Kingdom securities

- 3 (1) This paragraph applies in any case where, under a contract or other arrangements for the transfer of United Kingdom securities, one of the parties (the “interest manufacturer”) is required to pay to the other (“the recipient) an amount representative of a periodical payment of interest on the securities; and in this Schedule the “manufactured interest means any payment which the interest manufacturer makes in discharge of that requirement.
- (2) If, in a case where this paragraph applies, the interest manufacturer is a company resident in the United Kingdom, then, for all purposes of the Tax Acts, the gross amount of the manufactured interest shall be treated as if it

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were the gross amount of a periodical payment of interest on the securities, but made by the interest manufacturer.

- (3) If, in a case where this paragraph applies, the interest manufacturer is not such a company as is mentioned in sub-paragraph (2) above (so that section 737 applies in relation to the interest manufacturer) the gross amount of the manufactured interest shall for all purposes of the Tax Acts be treated in relation to the recipient, and all persons claiming title through or under him, as if it were the gross amount of a periodical payment of interest on the securities, but made by the interest manufacturer.
- (4) For the purposes of this paragraph the gross amount of any manufactured interest is an amount equal to the gross amount of that periodical payment of interest of which the manufactured interest is representative, as mentioned in sub-paragraph (1) above.

Manufactured overseas dividends

- 4 (1) This paragraph applies in any case where, under a contract or other arrangements for the transfer of overseas securities, one of the parties (the “overseas dividend manufacturer) is required to pay to the other (“the recipient) an amount representative of an overseas dividend on the overseas securities; and in this Schedule the “manufactured overseas dividend means any payment which the overseas dividend manufacturer makes in discharge of that requirement.
- (2) Subject to sub-paragraph (3) below, where this paragraph applies the gross amount of the manufactured overseas dividend shall be treated for all purposes of the Tax Acts as an annual payment, within section 349, but—
 - (a) the amount which is to be deducted from that gross amount on account of income tax shall be an amount equal to the relevant withholding tax on that gross amount; and
 - (b) in the application of sections 338(4)(a) and 350(4) in relation to manufactured overseas dividends the references to Schedule 16 shall be taken as references to dividend manufacturing regulations;
 and paragraph (a) above is without prejudice to any further amount required to be deducted under dividend manufacturing regulations by virtue of sub-paragraph (8) below.
- (3) If, in a case where this paragraph applies, the overseas dividend manufacturer is not resident in the United Kingdom and the manufactured overseas dividend is paid by him otherwise than in the course of a trade which he carries on through a branch or agency in the United Kingdom, sub-paragraph (2) above shall not apply; but if the manufactured overseas dividend is received by a person resident in the United Kingdom (the “United Kingdom recipient), then unless the United Kingdom recipient shows either—
 - (a) that the overseas dividend manufacturer was entitled to payment of the overseas dividend as the registered holder of the overseas securities, or
 - (b) that the overseas dividend manufacturer was entitled to payment of the overseas dividend directly or indirectly from a person from

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- whom he acquired the overseas securities, or to whom he transferred them, and who was so entitled to the payment,
- the United Kingdom recipient shall account for and pay an amount of tax in respect of the manufactured overseas dividend equal to that which the overseas dividend manufacturer would have been required to account for and pay had he been resident in the United Kingdom; and any reference in this Schedule to an amount deducted under sub-paragraph (2) above includes a reference to an amount of tax accounted for and paid under this sub-paragraph.
- (4) Where a manufactured overseas dividend is paid after deduction of the amount required by sub-paragraph (2) above, or where the amount of tax required under sub-paragraph (3) above in respect of such a dividend has been accounted for and paid, then for all purposes of the Tax Acts as they apply in relation to persons resident in the United Kingdom or to persons not so resident but carrying on business through a branch or agency in the United Kingdom—
- (a) the manufactured overseas dividend shall be treated in relation to the recipient, and all persons claiming title through or under him, as if it were an overseas dividend of an amount equal to the gross amount of the manufactured overseas dividend, but paid after the withholding therefrom, on account of overseas tax, of the amount deducted under sub-paragraph (2) above; and
 - (b) the amount so deducted shall accordingly be treated in relation to the recipient, and all persons claiming title through or under him, as an amount so withheld instead of as an amount on account of income tax.
- (5) For the purposes of this paragraph—
- (a) “relevant withholding tax, in relation to the gross amount of a manufactured overseas dividend, means an amount of tax representative of—
 - (i) the amount (if any) that would have been deducted by way of overseas tax from an overseas dividend on the overseas securities of the same gross amount as the manufactured overseas dividend; and
 - (ii) the amount of the overseas tax credit (if any) in respect of such an overseas dividend;
 - (b) the gross amount of a manufactured overseas dividend is an amount equal to the gross amount of that overseas dividend of which the manufactured overseas dividend is representative, as mentioned in sub-paragraph (1) above; and
 - (c) the gross amount of an overseas dividend is an amount equal to the aggregate of—
 - (i) so much of the overseas dividend as remains after the deduction of the overseas tax (if any) chargeable on it;
 - (ii) the amount of the overseas tax (if any) so deducted; and
 - (iii) the amount of the overseas tax credit (if any) in respect of the overseas dividend.
- (6) Dividend manufacturing regulations may make provision with respect to the rates of relevant withholding tax which are to apply in relation to

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manufactured overseas dividends in relation to different overseas territories, but in prescribing those rates the Treasury shall have regard to—

- (a) the rates at which overseas tax would have fallen to be deducted, and
- (b) the rates of overseas tax credits,

in overseas territories, or in the particular overseas territory, in respect of payments of overseas dividends on overseas securities.

- (7) Dividend manufacturing regulations may make provision for a person who, in any chargeable period, is an overseas dividend manufacturer to be entitled in prescribed circumstances to set off against each other, in accordance with the regulations—

- (a) overseas tax in respect of any overseas dividends, or amounts deducted under sub-paragraph (2) above from any manufactured overseas dividends, received by him in that chargeable period, and
- (b) the sums due from him on account of the amounts deducted by him under sub-paragraph (2) above from the manufactured overseas dividends paid by him in that chargeable period,

and account to the Board for, or as the case may be, claim credit in respect of, the balance.

- (8) Dividend manufacturing regulations may also make provision for cases where a manufactured overseas dividend is paid or otherwise dealt with in circumstances such that, had it been an overseas dividend in respect of the overseas securities, it would have been—

- (a) a relevant foreign dividend, within the meaning of section 123,
- (b) a foreign dividend, within the meaning of that section,
- (c) interest on a quoted Eurobond held in a recognised clearing system, within the meaning of section 124, or
- (d) an overseas public revenue dividend, within the meaning of Part III,

and, notwithstanding anything in sub-paragraph (2) or (3) above, any such regulations may provide for deductions of an amount determined by reference to the gross amount of the manufactured overseas dividend to be made from the manufactured overseas dividend on account of income tax similar to the deductions that would, in the case of an overseas dividend, be made under subsection (2) or (3) of section 123 or under Part III, as the case may be, and for Parts III and IV of Schedule 3 to apply with prescribed modifications in relation thereto.

Dividends and interest passing through the market

- 5 (1) Sub-paragraph (2) below applies in any case where, under a contract or other arrangements for the transfer of securities, a party (“the payment manufacturer) who satisfies the following condition, that is to say, that he is entitled either—

- (a) to a dividend or a periodical payment of interest as the registered holder of the securities, or
- (b) to payment, whether directly or indirectly, of any such dividend or interest from a person from whom he acquired the securities or to whom he transferred them,

is required to pay to the other party (“the recipient) an amount representative of that dividend or interest; and in this paragraph the “manufactured payment

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means any payment which the payment manufacturer makes in discharge of that requirement.

- (2) Where this sub-paragraph applies—
- (a) paragraphs 2, 3 and 4 above and section 737 shall not apply in relation to the manufactured payment,
 - (b) the dividend or interest shall be treated for all purposes of the Tax Acts as the income of the recipient and not as the income of the payment manufacturer, and
 - (c) the manufactured payment shall not be regarded as the income of the recipient,

but this sub-paragraph is subject to sub-paragraphs (3) and (4) below.

- (3) In any case where—
- (a) any dividend or interest would, apart from the application or, as the case may be, the subsequent application of this sub-paragraph, be treated by virtue of any provision of this paragraph as the income of a person (the “subsequent manufacturer”) who is a party to a further contract or other arrangements for the transfer of securities, and
 - (b) under that contract or those arrangements, the subsequent manufacturer is required to pay to the other party (the “subsequent recipient”) an amount representative of the dividend or interest (the “subsequent manufactured payment),

sub-paragraph (4) below shall apply instead of sub-paragraph (2) above (and, on any second or subsequent application of this sub-paragraph, instead of sub-paragraph (4) below as it last applied).

- (4) Where this sub-paragraph applies—
- (a) paragraphs 2, 3 and 4 above and section 737 shall not apply in relation to the manufactured payment or any subsequent manufactured payment;
 - (b) the dividend or interest shall be treated for all purposes of the Tax Acts as the income of the subsequent recipient (or, on a second or subsequent application of sub-paragraph (3) above, the last of them) and not as the income of any other person; and
 - (c) neither the manufactured payment nor any subsequent manufactured payment shall be regarded as the income of the recipient or of any subsequent recipient;

but this sub-paragraph is subject to any subsequent application of sub-paragraph (3) above.

- (5) Notwithstanding anything in sub-paragraphs (1) to (4) above, in any case where—
- (a) the dividend or interest is an overseas dividend,
 - (b) the payment manufacturer or a subsequent manufacturer is resident in the United Kingdom but the recipient or a subsequent recipient is not so resident, and
 - (c) the rates of overseas tax or overseas tax credit applicable to the overseas dividend in relation to the payment manufacturer or subsequent manufacturer falling within paragraph (b) above are different from what they would have been in relation to the

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recipient or subsequent recipient falling within that paragraph, had the overseas dividend been paid directly to him,

dividend manufacturing regulations may, in such cases as may be prescribed, make provision for tax to be charged on, or for credit in respect of tax to be given to, such one of the manufacturers falling within paragraph (b) above as may be determined in accordance with the regulations, at such rates as may be so determined.

- (6) Any reference in this paragraph to securities is a reference to United Kingdom equities, United Kingdom securities or overseas securities.

Unapproved manufactured payments

- 6 (1) This paragraph applies where a person makes an unapproved manufactured payment.
- (2) Where the unapproved manufactured payment is a manufactured dividend paid by a company, any advance corporation tax paid by the company in respect of the manufactured dividend—
- (a) shall not be set against any liability of the company to corporation tax as mentioned in section 239;
 - (b) shall not be surrendered under, or otherwise treated as mentioned in, section 240; and
 - (c) shall not be utilised in any other way for the purposes of the Tax Acts;
- and no franked investment income of a company shall be used to frank (within the meaning of section 241(5)) the manufactured dividend.
- (3) Where the unapproved manufactured payment is manufactured interest paid by a company—
- (a) relief shall not be given to the company under any provision of the Tax Acts in respect of any amount which the company is required to deduct from the payment on account of income tax; and
 - (b) the company shall not be entitled under paragraph 5(1) of Schedule 16 to claim to set income tax borne by deduction from payments received by it against the income tax which it is liable to pay in respect of the payment of manufactured interest.
- (4) Where the unapproved manufactured payment is a manufactured overseas dividend—
- (a) relief shall not be given to any person under any provision of the Tax Acts in respect of any amount which he is required to deduct from the payment on account of income tax; and
 - (b) a person shall not be entitled under or by virtue of this Schedule to set—
 - (i) overseas tax in respect of overseas dividends received by him, or
 - (ii) an amount deducted under paragraph 4(2) above in respect of manufactured overseas dividends received by him,
 against any income tax which he is liable to pay in respect of the payment of the manufactured overseas dividend.

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- (5) If it appears to an inspector that, notwithstanding the foregoing provisions of this paragraph, franked investment income of a company has been used to frank a manufactured dividend which is an unapproved manufactured payment, he may make an assessment on the dividend manufacturer under sub-paragraph (3) of paragraph 3 of Schedule 13 and that sub-paragraph shall accordingly apply in relation to the amount of advance corporation tax in question.
- (6) If it appears to an inspector that, notwithstanding the foregoing provisions of this paragraph, income tax on income received by an interest manufacturer has been set against an amount deducted by the interest manufacturer on account of income tax on a payment of manufactured interest which is an unapproved manufactured payment, the inspector may make an assessment on the interest manufacturer under paragraph 4 of Schedule 16 and that paragraph shall accordingly apply in relation to the amount of income tax in question.
- (7) In this paragraph “relief means relief by way of—
- (a) deduction in computing profits or gains; or
 - (b) deduction or set off against income or total profits.

Irregular manufactured payments

- 7 (1) Except where paragraph 5(2) or (4) above applies, in any case where (apart from this paragraph)—
- (a) an amount paid by way of manufactured dividend would exceed the amount of the dividend of which it is representative, or
 - (b) the aggregate of—
 - (i) an amount paid by way of manufactured interest or manufactured overseas dividend, and
 - (ii) the tax required to be accounted for in connection with the making of that payment,would exceed the gross amount (as determined in accordance with paragraph 3 or 4 above) of the interest or overseas dividend of which it is representative, as the case may be,
- the payment shall, to the extent of an amount equal to the excess, not be regarded for the purposes of this Schedule as made in discharge of the requirement referred to in paragraph 2(1), 3(1) or 4(1) above, as the case may be, but shall instead to that extent be taken for all purposes of the Tax Acts to constitute a separate fee for entering into the contract or other arrangements under which it was made, notwithstanding anything in paragraphs 2 to 4 above.
- (2) Dividend manufacturing regulations may make provision in such circumstances and for such purposes of the Tax Acts as may be prescribed for such a fee as is mentioned in sub-paragraph (1) above to be treated as paid in any case that would fall within that sub-paragraph, apart from paragraph 5 above; and, without prejudice to the generality of the foregoing, any such regulations may in particular provide—
- (a) for the amount of the fee to be determined in accordance with the regulations, and

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- (b) for such of the persons mentioned in that paragraph as may be prescribed to be treated as paying or, as the case may be, as receiving the fee,
- and it is immaterial for the purposes of paragraph (b) above whether or not the person prescribed would, apart from paragraph 5 above, have been regarded by virtue of sub-paragraph (1) above as paying or receiving a fee, or as paying it to, or receiving it from, any other person prescribed under paragraph (b) above.
- (3) For the purpose of giving relief under any provision of the Tax Acts in a case falling within paragraph 3(1) or 4(1) above where (apart from this paragraph) the aggregate referred to in sub-paragraph (1)(b) above would be less than the gross amount there mentioned—
- (a) the gross amount of the manufactured interest or manufactured overseas dividend shall be taken to be an amount equal to the aggregate referred to in sub-paragraph (1)(b) above, except where paragraph 6 above applies, and
- (b) where paragraph 6 above applies, the gross amount of the manufactured interest or manufactured overseas dividend shall be taken to be only the amount referred to in sub-paragraph (1)(b)(i) above,
- notwithstanding anything in paragraph 3, 4 or 6 above.
- (4) In this paragraph “relief means relief by way of—
- (a) deduction in computing profits or gains; or
- (b) deduction or set off against income or total profits.

Dividend manufacturing regulations: general

- 8 (1) Dividend manufacturing regulations may make provision for—
- (a) such manufactured dividends, manufactured interest or manufactured overseas dividends as may be prescribed, or
- (b) such dividend manufacturers, interest manufacturers or overseas dividend manufacturers as may be prescribed,
- to be treated in prescribed circumstances otherwise than as mentioned in paragraph 2, 3 or 4 above for the purposes of such provisions of the Tax Acts as may be prescribed.
- (2) Dividend manufacturing regulations may make provision with respect to—
- (a) the accounts and other records which are to be kept,
- (b) the vouchers which are to be issued or produced,
- (c) the returns which are to be made,
- (d) the manner in which amounts required to be deducted or accounted for under or by virtue of this Schedule on account of tax are to be accounted for and paid,
- by dividend manufacturers, interest manufacturers or overseas dividend manufacturers in connection with the manufacturing of dividends, interest or overseas dividends.
- (3) Dividend manufacturing regulations may—

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- (a) make provision for prescribed provisions of the Management Act to apply in relation to manufactured dividends, manufactured interest or manufactured overseas dividends with such modifications, specified in the regulations, as the Treasury think fit;
 - (b) make such further provision with respect to the administration, assessment, collection and recovery of amounts required to be deducted or accounted for under or by virtue of this Schedule on account of tax as the Treasury think fit.
- (4) Dividend manufacturing regulations may make different provision for different cases.”

Power to obtain information in connection with dealings in securities

- 2 In Schedule 18 to the ^{M1}Finance Act 1986, in paragraph 9(1)(b) (power by regulations to substitute for section 21(1) of the Management Act provision that the Board may exercise the powers conferred by section 21 in such circumstances as may be specified) after the words “conferred by section 21 there shall be inserted the words “in relation to such persons (whether market makers or not) and ”.

Marginal Citations

M1 1986 c. 41.

Manufactured dividends etc: amendments of section 737

- 3 (1) Section 737 of the Taxes Act 1988 (manufactured dividends: treatment of tax deducted) shall be amended in accordance with the following provisions of this paragraph.
- (2) For subsection (1) there shall be substituted—
- “(1) Subject to the provisions of this section and of Schedule 23A, where, under a contract or other arrangements for the transfer of securities, one of the parties (the “dividend manufacturer) is required to pay to the other an amount representative of a periodical payment of interest on the securities, section 350(1) and Schedule 16 shall apply as if the payment by the dividend manufacturer (the “manufactured dividend) were an annual payment made, after due deduction of tax, wholly out of a source other than profits or gains brought into charge to income tax.”
- (3) For subsection (3) there shall be substituted—
- “(3) Subsection (1) above shall not apply in any case where—
- (a) the dividend manufacturer is a company resident in the United Kingdom; or
 - (b) the manufactured dividend is a manufactured overseas dividend, within the meaning of Schedule 23A.”

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- (4) Subsection (4) (purchase of securities by dividend manufacturer resident in the United Kingdom from person not so resident) shall cease to have effect; and for subsection (5) (dividend manufacturers not resident in the United Kingdom) there shall be substituted—

“(5) Where the dividend manufacturer in relation to the contract or other arrangements mentioned in subsection (1) above is not resident in the United Kingdom and the manufactured dividend is paid by him otherwise than in the course of a trade which he carries on through a branch or agency in the United Kingdom, that subsection shall not apply; but if the manufactured dividend is received by a person resident in the United Kingdom (the “United Kingdom recipient), then unless the United Kingdom recipient shows either—

- (a) that the dividend manufacturer was entitled to payment of the dividend as the registered holder of the securities, or
- (b) that the dividend manufacturer was entitled to payment of the dividend directly or indirectly from a person from whom he acquired the securities, or to whom he transferred them, and who was so entitled to the payment,

the United Kingdom recipient shall be assessable and chargeable with an amount of income tax in respect of the manufactured dividend equal to that which the dividend manufacturer would have been required to account for and pay had he been resident in the United Kingdom.”

- (5) After that subsection there shall be inserted—

“(5A) Where this section applies in relation to a manufactured dividend, relief shall not be given to any person under any provision of the Tax Acts in respect of any amount which he is required to deduct from the manufactured dividend on account of income tax; and in this subsection “relief means relief by way of—

- (a) deduction in computing profits or gains; or
- (b) deduction or set off against income or total profits.”

- (6) In subsection (6) (definitions)—

- (a) for the definitions of “broker and “market maker there shall be substituted—

“ “dividend manufacturing regulations means regulations made by the Treasury under Schedule 23A;

“prescribed means prescribed in dividend manufacturing regulations;

“recognised investment exchange means a recognised investment exchange within the meaning of the Financial Services Act 1986;”;
and

- (b) after the definition of “securities there shall be inserted—

“ “transfer includes any sale or other disposal;”.

- (7) After subsection (7) there shall be inserted—

“(7A) Where the dividend manufacturer—

- (a) is not resident in the United Kingdom but carries on a trade through a branch or agency in the United Kingdom, or

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- (b) is a member, of a prescribed class or description, of a prescribed recognised investment exchange,

dividend manufacturing regulations may make provision for this section and such other provisions of the Tax Acts as may be prescribed to apply with prescribed modifications in connection with the manufactured dividend or any tax required to be deducted or accounted for in respect of it.

(7B) Without prejudice to the generality of subsection (7A) above, dividend manufacturing regulations made by virtue of that subsection may, in particular, include provision—

- (a) entitling the dividend manufacturer to any prescribed relief to which he would not otherwise be entitled;
- (b) denying the dividend manufacturer any prescribed relief to which he would otherwise be entitled;
- (c) prescribing the manner in which amounts required to be deducted or accounted for on account of tax are to be accounted for and paid;

and, without prejudice to the generality of paragraph (c) above, any regulations made for the purpose specified in that paragraph may include provision, in a case falling within subsection (7A)(a) above, for the manufactured dividend to be a relevant payment for the purposes of Schedule 16 and for that Schedule to apply in relation to it with such modifications as may be prescribed.”

Consequential provisions

4 In section 738 of that Act, subsection (2) (which confers power to amend the definitions of “broker and “market maker in section 737(6)) shall cease to have effect; and in subsection (4)—

- (a) for the words “subsections (2) and there shall be substituted the word “subsection ”; and
- (b) for the words “contract for the sale of securities there shall be substituted the words “contract or other arrangements for the transfer of securities ”.

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