

INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 4: Savings and investment income

Chapter 13: Sales of foreign dividend coupons

Overview

2228. This Chapter rewrites the charge to tax in section 18(3B) to (3E) of ICTA on the proceeds of the sale of coupons and warrants attached to foreign securities and shares, where the sale is made through a bank or to a dealer in coupons and both are in the United Kingdom.

Section 570: Charge to tax under Chapter 13

2229. This section charges to tax income which is treated as arising from foreign holdings where a dividend coupon attached to the holding is (a) sold or otherwise realised by a bank in the United Kingdom or (b) sold to a coupon dealer in the United Kingdom by someone other than a bank or a coupon dealer. The term “foreign holdings” is defined in section 571. The section is based on section 18 of ICTA.

2230. *Subsection (3)* sets out the first circumstance in which income is treated as arising from foreign holdings. This is where the UK office of a bank pays over the proceeds of a sale or realisation of dividend coupons or carries those proceeds to an account. Section 18(3B)(a) of ICTA refers simply to “a bank in the United Kingdom”. See *Change 103* in Annex 1.

2231. *Subsection (4)* sets out the second circumstance. This is where a person who is neither a bank nor another coupon dealer sells the dividend coupons to a coupon dealer in the United Kingdom. Section 18(3B)(b) of ICTA refers to “a dealer in coupons in the United Kingdom”. See *Change 103* in Annex 1.

Section 571: Meaning of “foreign holdings” etc

2232. This section gives the meaning of “foreign holdings” and “dividend coupons” and of words used within these definitions. It is based on section 18 of ICTA.

Section 572: Income charged

2233. This section sets out the amount charged to tax on income arising from foreign holdings. It is based on section 65 of ICTA.

Section 573: Person liable

2234. This section states who is liable for any tax charged. It is based on section 59 of ICTA.