*These notes refer to the Income Tax Act 2007 (c.3)
which received Royal Assent on 20 March 2007*

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 11: Manufactured payments and repos

Overview

Chapter 3: Tax credits: stock lending arrangements and repos

Overview

1750. This Chapter denies the recipient of a manufactured dividend the benefit of a tax credit on it. It is based on sections 231AA and 231AB of ICTA.

1751. Sections 231AA and 231AB of ICTA are potentially relevant to the shadow ACT regime, and this Act therefore includes consequential amendments which will confine them to corporation tax.

Section 592: No tax credits for borrower under stock lending arrangement

1752. This section prevents the borrower under a stock lending arrangement from claiming a tax credit when that person in economic terms does not retain a dividend on the securities, but passes it on to the lender, by way of a manufactured dividend or other means. It is based on section 231AA of ICTA and section 263B of TCGA.

Section 593: No tax credits for interim holder under repo

1753. This section prevents the interim holder under a repo from claiming a tax credit when that person in economic terms does not retain a dividend on the securities, but passes it on to the counterparty, by way of a manufactured dividend or other means. It is based on section 231AA of ICTA.

Section 594: No tax credits for original owner under repo

1754. This section counters unusual repo arrangements where the original owner does not pass entitlement to the dividends to the interim holder under the repo but the interim holder nonetheless pays the lender a manufactured dividend. It prevents shareholders using these arrangements to generate multiple tax credits in respect of the same dividend. It is based on section 231AB of ICTA.

Section 595: Meaning of "manufactured dividend"

1755. This section gives "manufactured dividend" the same meaning in this Chapter as in Chapter 2. It is based on sections 231AA(4) and 231AB(3) of ICTA.