Income Tax Act 2007

2007 CHAPTER 3

PART 15

DEDUCTION OF INCOME TAX AT SOURCE

CHAPTER 9

MANUFACTURED PAYMENTS

Modifications etc. (not altering text)

C1 Pt. 15 Ch. 9 modified (with effect in accordance with art. 2 of the commencing S.I.) by Finance Act 2007 (c. 11), s. 47(4), **Sch. 13 para. 13**; S.I. 2007/2483, art. 2

Manufactured dividends

918 Manufactured dividends on UK shares: Real Estate Investment Trusts

(1) This section applies if—

[[F1](a) a person pays a manufactured payment as mentioned in section 614ZC(1) and the amount payable is representative of a dividend (a "manufactured dividend"), and**]**

(b) the manufactured dividend is representative of a dividend which is—

[[F2](i) paid by a company UK REIT in respect of profits or gains (or both) of the company's property rental business, or

(ii) paid by the principal company of a group UK REIT in respect of profits or gains (or both) of property rental business of members of the group.**]**

(2) This section applies only so far as the manufactured dividend is representative of such a dividend.

(3) If the payer—

(a) is UK resident, or

(b) pays the manufactured dividend in the course of a trade carried on through a branch or agency in the United Kingdom,

regulations under section 973 apply to the payer as they apply to a **[**[F3]company UK REIT**]**, with any necessary modifications.

[[F4](3A) But subsection (3) does not apply if—

(a) the manufactured dividend is paid by a UK resident company in the course of a trade carried on through a permanent establishment in a territory outside the United Kingdom, and

(b) section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is paid.**]**

(4) The Treasury may by regulations provide, in a case where the payer—

[[F5](a) is non-UK resident and pays the manufactured dividend otherwise than in the course of a trade carried on through a branch or agency in the United Kingdom, or

(b) is a UK resident company and pays the manufactured dividend in the course of a trade carried on through a permanent establishment in a territory outside the United Kingdom and section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is paid,**]**

for a United Kingdom recipient of the manufactured dividend to be liable to account for and pay income tax in respect of it.

(5) A United Kingdom recipient is a recipient who—

(a) is UK resident, or

(b) is non-UK resident but receives the manufactured dividend for the purposes of a trade carried on by the recipient through a branch or agency in the United Kingdom.

[[F6](5A) But a UK resident is not a United Kingdom recipient if—

(a) it is a UK resident company which receives the manufactured dividend for the purposes of a trade carried on by the recipient through a permanent establishment in a territory outside the United Kingdom, and

(b) section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is received.**]**

(6) The amount of income tax which the recipient may be liable to account for and pay under regulations under subsection (4) is equal to the amount of the sum representing income tax which the payer would have been required to deduct in accordance with regulations under section 973.

(7) For the purposes of—

(a) regulations under section 973 as applied by subsection (3), and

(b) regulations under subsection (4),

the "gross amount" of a manufactured dividend to which this section applies is equal to the gross amount of the dividend of which it is representative.

[[F7](8) In subsection (1) "gains" includes chargeable gains.**]**

Textual Amendments

F1 S. 918(1)(a) substituted (1.1.2014) by Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 21**

F2 S. 918(1)(b)(i)(ii) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 555(a)** (with Sch. 2)

F3 Words in s. 918(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 555(b)** (with Sch. 2)

F4 S. 918(3A) inserted (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 13 paras. 20(2)**, 31

F5 S. 918(4)(a)(b) substituted (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 13 paras. 20(3)**, 31

F6 S. 918(5A) inserted (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 13 paras. 20(4)**, 31

F7 S. 918(8) inserted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 555(c)** (with Sch. 2)

Manufactured interest

919 Manufactured interest on UK securities: payments by UK residents etc

[[F8](1) This section applies if—

(a) a person pays a manufactured payment as mentioned in section 614ZC(1),

(b) the amount payable is representative of interest on UK securities ("manufactured interest"), and

(c) the person —

(i) is UK resident, or

(ii) pays the manufactured interest in the course of a trade carried on in the United Kingdom through a branch or agency.**]**

[[F9](1A) But this section does not apply if—

(a) the manufactured interest is paid by a UK resident company in the course of a trade carried on through a permanent establishment in a territory outside the United Kingdom, and

(b) section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is paid.**]**

(2) The payer of the manufactured interest must, on making the payment, deduct from the gross amount of the manufactured interest a sum representing income tax on it at the **[**[F10]basic rate**]** in force for the tax year in which the payment is made.

(3) The "gross amount" of manufactured interest is equal to the gross amount of the interest of which it is representative.

(4) This section is subject (in particular) to—

[F11] …

[F11] …

section 921 (cases where interest on underlying securities paid gross), and

Chapter 11 (payments between companies etc: exception from duties to deduct).

(5) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—

(a) see Chapter 15 if the payer of the manufactured interest is a company, and

(b) otherwise see Chapter 16.

[[F12](6) In subsection (1) "UK securities" means securities of—

(a) the government of the United Kingdom,

(b) a local authority in the United Kingdom,

(c) another public authority in the United Kingdom, or

(d) a UK resident company or other UK resident body.

(7) But "UK securities" does not include shares in a UK resident company.

(8) In this section "securities" includes loan stock or any similar security.**]**

Textual Amendments

F8 S. 919(1) substituted (1.1.2014) by Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 22(a)**

F9 S. 919(1A) inserted (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 13 paras. 21**, 31

F10 Words in s. 919(2) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by Finance Act 2008 (c. 9), **Sch. 1 para. 31**

F11 Words in s. 919(4) omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 22(b)**

F12 S. 919(6)-(8) inserted (1.1.2014) by Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 22(c)**

[F13]920 Foreign payers of manufactured interest: the reverse charge

. . . . . .

Textual Amendments

F13 S. 920 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 23**

921 Cases where interest on underlying securities paid gross

(1) This section applies to manufactured interest which is representative of interest on—

(a) gilt-edged securities, or

(b) securities which are not gilt-edged securities but on which the interest is payable without deduction of income tax.

(2) Section 919(2) does not require any deduction of a sum representing income tax to be made on the payment of the manufactured interest.

(3) In this section **[**[F14] "manufactured interest" has the same meaning as in section 919.**]**

Textual Amendments

F14 Words in s. 921(3) substituted (1.1.2014) by Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 24**

Manufactured overseas dividends

[F15]922 Manufactured overseas dividends: payments by UK residents etc

. . . . . .

Textual Amendments

F15 Ss. 922-925 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 25**

[F15]923 Foreign payers of manufactured overseas dividends: the reverse charge

. . . . . .

Textual Amendments

F15 Ss. 922-925 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 25**

[F15]924 Power to reduce section 923 liability

. . . . . .

Textual Amendments

F15 Ss. 922-925 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 25**

[F15]925 Power to provide set-off entitlement

. . . . . .

Textual Amendments

F15 Ss. 922-925 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 25**

[F16Repos

Textual Amendments

F16 Ss. 925A-925F and cross-heading inserted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 7 para. 112** (with Sch. 9 paras. 1-9, 22)

925A Creditor repos

(1) Subsection (2) applies if a company ("the lender") has a creditor repo for the purposes of Chapter 10 of Part 6 of CTA 2009 (see section 543 of that Act).

(2) Sections 918 **[**[F17], 919 and 921**]** have effect in relation to the lender while the arrangement is in force as if—

(a) the lender paid the borrower amounts which are representative of the income payable on the securities that are initially sold,

(b) the payments were made under requirements of the arrangement, and

(c) the payments were made on the dates on which the income is payable.

(3) For the purposes of subsection (2), an arrangement is in force from the time when the securities are initially sold until the earlier of—

(a) the time when the subsequent sale of the securities, or similar securities, takes place, and

(b) the time when it becomes apparent that that sale will not take place.

Textual Amendments

F17 Words in s. 925A(2) substituted (1.1.2014) by Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 26**

[F18]925B Debtor repos

. . . . . .

Textual Amendments

F18 S. 925B omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 27**

925C Actual payments ignored if section 925A [F19]... applies

If section 925A(2) [F20]... applies, any payment actually made under an arrangement which is representative of any income payable on any securities is to be treated for the purposes of sections 918 **[**[F21], 919 and 921**]** as if it had not been made.

Textual Amendments

F19 Words in s. 925C heading omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 28(a)**

F20 Words in s. 925C omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 28(b)**

F21 Words in s. 925C substituted (1.1.2014) by Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 28(c)**

925D Power to modify repo sections

(1) The Treasury may by regulations provide for all or any of the provisions of sections 925A to 925F to apply with modifications in relation to—

(a) cases to which section 925E (non-standard repo cases) applies, or
(b) cases involving redemption arrangements, or
(c) both of those cases.

(2) A case involves redemption arrangements if—
(a) arrangements, corresponding to those made in cases where a company has a repo, are made in relation to securities that are to be redeemed in the period after their sale, and
(b) the arrangements are such that a person (instead of having the right or obligation to buy those securities, or similar or other securities, at any subsequent time) has a right or obligation in respect of the benefits which will result from the redemption.

(3) The regulations may make incidental, supplemental, consequential and transitional provision and savings.

(4) In this section "modifications" includes exceptions and omissions.

(5) For the purposes of subsection (2)(a) and section 925E(1), a company has a repo if—
(a) for the purposes of Chapter 10 of Part 6 of CTA 2009—
(i) it has a creditor repo (see section 543 of that Act),
(ii) it has a creditor quasi-repo (see section 544 of that Act),
(iii) it has a debtor repo (see section 548 of that Act), or
(iv) it has a debtor quasi-repo (see section 549 of that Act), or
(b) as a result of section 547 of that Act, the company has a creditor repo for the purposes of section 546 of that Act.

925E Cases where section 925D applies: non-standard repos

(1) This section applies to a case if—
(a) a company has a repo,
(b) there has been a sale of the securities under the arrangement or arrangements by reference to which the company has the repo, and
(c) any of conditions A to C is met.

(2) Condition A is that those securities, or similar or other securities, are not subsequently bought under the arrangement or arrangements.

(3) Condition B is that provision is made by or under an arrangement for different or additional securities to be treated as, or as included with, securities which, for the purposes of the subsequent purchase, are to represent those initially sold.

(4) Condition C is that provision is made by or under an arrangement for securities to be treated as not so included.

(5) Section 925D(5) interprets references in subsection (1) to a company having a repo.

925F Interpretation of the repo sections

(1) This section applies for the purposes of sections 925A to 925E and this section.

(2) "Arrangement" includes any agreement or understanding (whether or not legally enforceable).

(3) It does not matter whether or not provision of any arrangement conferring a right or imposing an obligation on any person to buy any securities is subject to any conditions.

(4) "Securities" means shares, stock or other securities issued by—

(a) the government of the United Kingdom,

(b) any public or local authority in the United Kingdom,

(c) any UK resident company or other UK resident body,

(d) a government or public or local authority of a territory outside the United Kingdom, or

(e) any other body of persons not resident in the United Kingdom.

(5) Securities are similar if they give their holders—

(a) the same rights against the same persons as to capital, interest and dividends, and

(b) the same remedies to enforce those rights.

(6) Subsection (5) applies even if there is a difference in—

(a) the total nominal amounts of the securities,

(b) the form in which they are held, or

(c) the manner in which they can be transferred.

(7) If—

(a) a person ("A") buys securities (or has a right or obligation to buy securities), but

(b) the securities are (or are to be) held for the benefit of another person ("B"),

B (not A) is treated as buying (or having the right or obligation to buy) the securities.

(8) If—

(a) a person ("C") sells securities, but

(b) the proceeds of the sale are held for the benefit of another person ("D"),

D (not C) is treated as selling the securities.**]**

Supplementary

926 Interpretation of Chapter

[F22](1) . . . . . .

[F22](1A) . . . . . .

(2) References in this Chapter to a trade carried on through a branch or agency are to be read, in relation to a company, as references to a trade carried on through a permanent establishment.

Textual Amendments

F22 S. 926(1)(1A) omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, **Sch. 29 para. 29**

927 Regulation-making powers: general

Regulations under this Chapter may make different provision for different cases.

Changes to legislation:
There are currently no known outstanding effects for the Income Tax Act 2007, Chapter 9.