
STATUTORY INSTRUMENTS

1996 No. 1227

INCOME TAX

**The Income Tax (Manufactured Interest)
(Amendment) Regulations 1996**

<i>Made</i>	- - - -	<i>7th May 1996</i>
<i>Laid before the House of Commons</i>	- - - -	<i>7th May 1996</i>
<i>Coming into force</i>	- -	<i>28th May 1996</i>

The Treasury, in exercise of the powers conferred on them by section 737(6), (7A) and (7B) of, and paragraph 1(1) and (2)(b) and paragraph 8 of Schedule 23A to, the Income and Corporation Taxes Act 1988(1), hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Income Tax (Manufactured Interest) (Amendment) Regulations 1996 and shall come into force on 28th May 1996.

Interpretation

2. In these Regulations “the principal Regulations” means the Income Tax (Manufactured Interest) Regulations 1992(2) and “regulation” means a regulation of the principal regulations.

Amendments to the principal Regulations

3. In regulation 2—

(a) the definitions of “approved manufactured payment” and “unapproved manufactured payment” shall be omitted;

(b) after the definition of “market maker” there shall be inserted the following definition—
““Schedule 16” means Schedule 16 to the Taxes Act;”.

4. Regulation 2A(3) shall be omitted.

(1) 1988 c. 1. Subsection (6) of section 737 was amended by paragraph 3(6), and subsections (7A) and (7B) of that section were inserted by paragraph 3(7), of Schedule 13 to the Finance Act 1991 (c. 31). Schedule 23A was inserted by paragraph 1 of that Schedule. See the definition of “dividend manufacturing regulations” in paragraph 1(1) of Schedule 23A.
(2) S.I.1992/2074, amended by S.I. 1995/3221.
(3) Inserted by S.I. 1995/3221.

5. In regulation 3(d) for the words from “section 737” to “Act” there shall be substituted “Schedule 16”.
6. Regulations 6 and 7 shall be omitted.
7. In regulation 9—
 - (a) In paragraph (1) for the words “qualifying persons” there shall be substituted “any qualifying person”;
 - (b) after paragraph (3) there shall be added—
 - “(4) In this regulation “qualifying person” means an interest manufacturer which—
 - (a) is a company resident in the United Kingdom, and
 - (b) makes payments of manufactured interest other than payments in respect of gilt-edged securities.”
8. In regulation 10, the definition of “qualifying dividend manufacturer” shall be omitted.
9. In regulation 12, the word “qualifying”, in both places where it occurs, shall be omitted.
10. For Part V of the principal Regulations there shall be substituted the following Part—

“PART V

MODIFICATION OF SCHEDULE 16

Interpretation of Part V

13. In this part of these Regulations, “dividend manufacturer” has the meaning given by regulation 10.

Modification of Schedule 16

14.—(1) In the case specified in paragraph (2), Schedule 16 shall apply with the modification prescribed by paragraph (3).

(2) The case specified is any case where the dividend manufacturer is a company which is not resident in the United Kingdom but carries on a trade through a branch or agency in the United Kingdom.

(3) The modification prescribed is that Schedule 16 shall apply as if the reference in paragraph 7 of that Schedule to “section 7(2)” were a reference to “section 11(3)”.

7th May 1996

Simon Burns
Michael Bates
Two of the Lords Commissioners of Her
Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Income Tax (Manufactured Interest) Regulations 1992 (S.I.1992/2074) (“the principal Regulations”).

The amendments are made in consequence of the provisions contained in Chapter II of Part IV of the Finance Act 1996 (c. 8) (“loan relationships”) which supersede a number of the provisions of Schedule 23A to the Income and Corporation Taxes Act 1988 (“Schedule 23A” relating to manufactured interest paid or received by companies in respect of United Kingdom securities. In addition, paragraph 52(6) of Schedule 14 to the 1996 Act repeals the provisions of paragraph 6 of Schedule 23A relating to manufactured payments other than manufactured dividends.

Regulation 1 provides for citation and commencement, and regulation 2 for interpretation.

Regulations 3 to 10 amend the principal Regulations so as to take account of the new provisions relating to corporate loan relationships. In particular regulations 3, 4 and 6 to 9 remove the distinction between approved and unapproved manufactured interest from the principal Regulations. Regulations 5 and 10 remove the modification of section 737 of the Income and Corporation Taxes Act 1988 made by regulation 14 of the principal Regulations, following the amendment made to that section by paragraph 38 of Schedule 14 to the 1996 Act.