
STATUTORY INSTRUMENTS

1996 No. 1826

INCOME TAX

The Manufactured Overseas Dividends (French Indemnity Payments) Regulations 1996

<i>Made</i>	- - - -	<i>12th July 1996</i>
<i>Laid before the House of Commons</i>	- - - -	<i>15th July 1996</i>
<i>Coming into force</i>	- -	<i>1st August 1996</i>

The Treasury, in exercise of the powers conferred on them by paragraphs 1(1) and 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 Manufactured Overseas Dividends (French Indemnity Payments) Regulations 1996 and shall come into force on 1st August 1996.

Interpretation

2.—(1) In these Regulations—

“French equities” means shares of any company resident in France;

“French indemnity payment” means a payment, representative of a dividend on French equities, that a party to a transaction for the sale of those equities is required, under the rules of the Society of French Stock Exchanges, to make to the other party to that transaction;

“manufactured overseas dividend” shall be construed in accordance with paragraph 4(1) of Schedule 23A;

“Schedule 23A” means Schedule 23A to the Taxes Act;

“the Tax Acts” has the meaning given by section 831(2) of the Taxes Act;

“the Taxes Act” means the Income and Corporation Taxes Act 1988.

(2) References in these Regulations to “the dividend concerned” are references to the dividend of which a French indemnity payment is representative.

(1) 1988 c. 1. Schedule 23A was inserted by paragraph 1 of Schedule 13 to the Finance Act 1991 (c. 31), and amended by sections 123(2) to (5) and 124 of, and Part V(14) of Schedule 26 to, the Finance Act 1994 (c. 9), section 82(2) and (3) of the Finance Act 1995 (c. 4), and section 159(4) to (8) of, and paragraph 52 of Schedule 14, and Part V(21) of Schedule 41 to, the Finance Act 1996 (c. 8). See the definitions of “prescribed” and “dividend manufacturing regulations” in paragraph 1(1) of Schedule 23A.

(3) References in these Regulations to “the sale and repurchase of French equities” shall be construed in accordance with section 730A(2) of the Taxes Act (read with the modifications to that enactment made in relation to the redemption and substitution of securities by regulations 3 and 5 of the Sale and Repurchase of Securities (Modification of Enactments) Regulations 1995(3)).

Tax treatment of French indemnity payments

3.—(1) This regulation applies where a person makes or receives a payment of a manufactured overseas dividend that is a French indemnity payment, other than a payment which arises from an arrangement for the sale and repurchase of French equities.

(2) For the purposes of the Tax Acts—

- (a) paragraphs 4 and 5 of Schedule 23A shall not apply in relation to the indemnity payment, but where the maker of the payment receives the dividend concerned, he (and no other person) shall be chargeable to tax in respect of that dividend;
- (b) subject to paragraph (3)—
 - (i) relief by way of deduction in computing profits or gains, or deduction or set off against income or total profits, shall not be given under any provision of the Tax Acts in respect of the indemnity payment to the maker of the payment, and
 - (ii) the indemnity payment shall not be chargeable to tax.

(3) For the purposes of the Tax Acts and the Taxation of Chargeable Gains Act 1992(4) the amount paid or payable in respect of the sale of the French equities to which the dividend concerned relates shall, as respects both the seller and the purchaser of those equities, be taken as reduced by the amount of the indemnity payment.

(4) Any entitlement to relief under Part XVIII of the Taxes Act (double taxation relief) in respect of the indemnity payment shall be extinguished.

4.—(1) This regulation applies where a person makes or receives a payment of a manufactured overseas dividend that is a French indemnity payment arising from an arrangement for the sale and repurchase of French equities.

(2) For the purposes of the Tax Acts—

- (a) paragraphs 4 and 5 of Schedule 23A shall not apply in relation to the indemnity payment, but where the maker of the payment receives the dividend concerned, he (and no other person) shall be chargeable to tax in respect of that dividend;
- (b) the indemnity payment shall be treated as an annual payment, within section 349(1) of the Taxes Act(5), but so that no amount is required to be deducted on account of income tax from the amount of the payment, or accounted for under section 350 of that Act(6);
- (c) in relation to a recipient of the indemnity payment, or a person claiming title to it through or under him, who is resident in the United Kingdom or, if not so resident, is carrying on business through a branch or agency in the United Kingdom, the payment shall be treated as if it were an overseas dividend of an amount equal to the amount of the payment, but without prejudice to paragraph (3).

(3) Any entitlement to relief under Part XVIII of the Taxes Act in respect of the indemnity payment shall be extinguished.

(2) Section 730A was inserted by section 80(1) of the Finance Act 1995.

(3) S.I.1995/3220.

(4) 1992 c. 12.

(5) Section 349(1) was amended by Part VIII(22) of Schedule 29 to the Finance Act 1995 and paragraph 5(1) of Schedule 29 to the Finance Act 1996.

(6) Section 350 was amended by paragraph 8 of Schedule 6 to the Finance Act 1996.

12th July 1996

Simon Burns
Liam Fox
Two of the Lords Commissioners of Her
Majesty's Treasury

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision for the tax treatment in the United Kingdom of certain manufactured overseas dividends (“French Indemnity payments”). Such payments are required, under the rules of the Society of French Stock Exchanges, to be made in certain circumstances by one of the parties to a transaction for the sale of French equities to the other party by way of compensation for the dividend which the other party did not receive in respect of the equities sold.

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

Regulation 3 provides for the tax treatment of French indemnity payments in all cases other than cases where the payment arises from an arrangement for the sale and repurchase of French equities (“repo payments”).

Regulation 4 provides for the tax treatment of French indemnity payments that are repo payments.