



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 11

#### MANUFACTURED PAYMENTS AND REPOS

#### CHAPTER 3

##### TAX CREDITS: STOCK LENDING ARRANGEMENTS AND REPOS

##### *Stock lending arrangements*

#### **592 No tax credits for borrower under stock lending arrangement**

- (1) This section applies if—
- there is a stock lending arrangement in respect of UK shares, <sup>F1</sup>or overseas shares,]
  - a qualifying distribution is made to the person who is the borrower under the arrangement,
  - the qualifying distribution is, or is a payment representative of, a dividend in respect of the <sup>F2</sup>... shares, and
  - a manufactured dividend [<sup>F3</sup>or manufactured overseas dividend] representative of the dividend is paid by the borrower in respect of any UK shares [<sup>F4</sup>or overseas shares] in respect of which the arrangement is made.
- (2) The borrower is not entitled to a tax credit under section 397(1) [<sup>F5</sup>or [<sup>F6</sup>397A(1)]] of ITTOIA 2005 (tax credits for qualifying distributions) in respect of the distribution.
- (3) If the borrower is UK resident, section 399(2) of ITTOIA 2005 (recipients of qualifying distributions treated as having paid income tax at dividend ordinary rate on them) does not apply in respect of the distribution.

*Status: Point in time view as at 01/01/2012.*

*Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Chapter 3. (See end of Document for details)*

### Textual Amendments

- F1** Words in s. 592(1)(a) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 27\(2\)\(a\)](#)
- F2** Word in s. 592(1)(c) omitted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 27\(2\)\(b\)](#)
- F3** Words in s. 592(1)(d) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 27\(2\)\(c\)\(i\)](#)
- F4** Words in s. 592(1)(d) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 27\(2\)\(c\)\(ii\)](#)
- F5** Words in s. 592(2) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 27\(3\)](#)
- F6** Word in s. 592(2) substituted (with effect in accordance with Sch. 19 para. 14 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 19 para. 13\(b\)](#)

### *Repos*

## 593 No tax credits for interim holder under repo

- (1) This section applies if—
- (a) there is a repo in respect of UK shares [<sup>F7</sup>or overseas shares] ,
  - (b) under the repo, the original owner has transferred the <sup>F8</sup>... shares to the interim holder,
  - (c) a qualifying distribution is made to the interim holder,
  - (d) the qualifying distribution is, or is a payment representative of, a dividend in respect of the <sup>F9</sup>... shares, and
  - (e) a manufactured dividend [<sup>F10</sup>or manufactured overseas dividend] representative of the dividend is paid by the interim holder in respect of any UK shares [<sup>F11</sup>or overseas shares] in respect of which the repo is made.
- (2) The interim holder is not entitled to a tax credit under section 397(1) [<sup>F12</sup>or [<sup>F13</sup>397A(1)]] of ITTOIA 2005 (tax credits for qualifying distributions) in respect of the distribution.
- (3) If the interim holder is UK resident, section 399(2) of ITTOIA 2005 (recipients of qualifying distributions treated as having paid income tax at dividend ordinary rate on them) does not apply in respect of the distribution.

### Textual Amendments

- F7** Words in s. 593(1)(a) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 28\(2\)\(a\)](#)
- F8** Word in s. 593(1)(b) omitted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 28\(2\)\(b\)](#)
- F9** Word in s. 593(1)(d) omitted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 28\(2\)\(b\)](#)
- F10** Words in s. 593(1)(e) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 28\(2\)\(c\)\(i\)](#)
- F11** Words in s. 593(1)(e) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 28\(2\)\(c\)\(ii\)](#)

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- F12** Words in s. 593(2) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 28\(3\)](#)
- F13** Word in s. 593(2) substituted (with effect in accordance with Sch. 19 para. 14 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 19 para. 13\(b\)](#)

## 594 No tax credits for original owner under repo

- (1) This section applies if—
- (a) there is a repo in respect of UK shares [<sup>F14</sup>or overseas shares] ,
  - (b) under the repo, the original owner has transferred the <sup>F15</sup>... shares to the interim holder,
  - (c) a qualifying distribution is made,
  - (d) the qualifying distribution is a manufactured dividend [<sup>F16</sup>or manufactured overseas dividend] paid under the repo in respect of the <sup>F17</sup>... shares by the interim holder to the original owner, and
  - (e) the repo is not such that the actual dividend which the manufactured dividend [<sup>F18</sup>or manufactured overseas dividend] represents is receivable by a person other than the original owner.
- (2) The original owner is not entitled to a tax credit under section 397(1) [<sup>F19</sup>or [<sup>F20</sup>397A(1)]] of ITTOIA 2005 (tax credits for qualifying distributions) in respect of the distribution.
- (3) If the original owner is UK resident, section 399(2) of ITTOIA 2005 (recipients of qualifying distributions treated as having paid income tax at dividend ordinary rate on them) does not apply in respect of the distribution.

### Textual Amendments

- F14** Words in s. 594(1)(a) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 29\(2\)\(a\)](#)
- F15** Word in s. 594(1)(b) omitted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 29\(2\)\(b\)](#)
- F16** Words in s. 594(1)(d) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 29\(2\)\(c\)\(i\)](#)
- F17** Word in s. 594(1)(d) omitted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 29\(2\)\(c\)\(ii\)](#)
- F18** Words in s. 594(1)(e) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 29\(2\)\(d\)](#)
- F19** Words in s. 594(2) inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 12 para. 29\(3\)](#)
- F20** Word in s. 594(2) substituted (with effect in accordance with Sch. 19 para. 14 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 19 para. 13\(b\)](#)

### Interpretation

## 595 Meaning of “manufactured dividend”

In this Chapter “manufactured dividend” [<sup>F21</sup>and “manufactured overseas dividend” have] the same meaning as in Chapter 2 (see [<sup>F22</sup>sections 573(1)(a) and 581(1)(a)]).

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for the Income Tax Act 2007, Chapter 3. (See end of Document for details)*

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#### **Textual Amendments**

- F21** Words in s. 595 substituted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 12 para. 30(2)**
- F22** Words in s. 595 substituted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 12 para. 30(3)**

**Status:**

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**Changes to legislation:**

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