

# CORPORATION TAX ACT 2010

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## EXPLANATORY NOTES

### INTRODUCTION

#### **Part 17: Manufactured payments and repos**

##### **Chapter 2: Manufactured dividends**

#### **Overview**

2368. This Chapter is concerned with:

- the taxability of manufactured dividends in the hands of the recipient (or, if different, the owner);
- tax relief for the payer of manufactured dividends; and
- taxes management.

#### **Section 782: Meaning of “manufactured dividend”**

2369. This interpretative section is based on paragraph 2 of Schedule 23A to ICTA and section 139 of FA 2006.

2370. The expression “UK shares” is used in this section for the first time in this Part. It is defined in section 814.

#### **Section 783: Treatment of payer of manufactured dividend**

2371. This section gives corporation tax relief for the payer of a manufactured dividend. It is based on paragraphs 2(1A) to (1F) of Schedule 23A to ICTA.

2372. Paragraph 2(1C) of Schedule 23A to ICTA envisages that a particular manufactured dividend may relate both to a trade carried on by the dividend manufacturer and to life assurance business carried on by the dividend manufacturer. *Subsection (4)* makes it clear that the words about paragraph 2(1E) in paragraph 2(1C) are intended to exclude relief under paragraph 2(1C) only so far as relief is given under paragraph 2(1E). This drafting clarification does not change the law.

#### **Section 784: Treatment of recipient of manufactured dividends**

2373. This section deals with the corporation tax treatment, in the hands of the recipient (or, if different, the owner), of a manufactured dividend. It is based on paragraph 2 of Schedule 23A to ICTA.

#### **Section 785: Treatment of payer: Real Estate Investment Trusts**

2374. This section gives corporation tax relief for the payer of a manufactured dividend, to the extent that it is representative of a dividend (a property income dividend or PID)

*These notes refer to the Corporation Tax Act 2010  
(c.4) which received Royal Assent on 3 March 2010*

paid by a company UK REIT or by the principal company of a group UK REIT. It is based on section 139 of FA 2006 and paragraph 30 of Schedule 17 to that Act.

***Section 786: Treatment of recipient: Real Estate Investment Trusts***

2375. This section deals with the corporation tax treatment of a manufactured dividend, in the hands of the recipient (or, if different, the owner), to the extent that the manufactured dividend is representative of a PID. It is based on section 139 of FA 2006 and paragraph 30 of Schedule 17 to that Act.

***Section 787: Exemption of manufactured dividends***

2376. This section provides that a manufactured dividend is exempt from corporation tax to the extent that the dividend of which it is representative is (or would be) so exempt. It is based on paragraph 2(3A) and (3B) of Schedule 23A to ICTA.

***Section 788: Statements about manufactured dividends***

2377. This section imposes an obligation on the payer of a manufactured dividend to give the recipient a statement setting out information which may be relevant for tax purposes. It is based on paragraph 2 of Schedule 23A to ICTA and section 139 of, and paragraph 30 of Schedule 17 to, FA 2006.

***Section 789: Powers about administrative provisions***

2378. This section is a general regulation-making power about manufactured dividends. It is based on paragraph 8 of Schedule 23A to ICTA.