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STATUTORY INSTRUMENTS

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**1992 No. 569**

**INCOME TAX**

**The Income Tax (Dividend Manufacturing) Regulations 1992**

<i>Made</i>	- - - -	<i>9th March 1992</i>
<i>Laid before the House of Commons</i>	- - - -	<i>9th March 1992</i>
<i>Coming into force</i>	- -	<i>22nd March 1992</i>

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

**PART I**  
**GENERAL**

**Citation and commencement**

1. These Regulations may be cited as the Income Tax (Dividend Manufacturing) Regulations 1992 and shall come into force on 22nd March 1992.

**Interpretation**

2. In these Regulations unless the context otherwise requires—

“the Board of directors” means the Board of directors of LIFFE (A &M);

“the Deltapluslong limit” and “the Deltaplusshort limit” have the meanings given by regulation 9(1) and 9(2) respectively;

“designated account” means an account designated for a member by the Board of directors in connection with options to buy or sell quoted United Kingdom equities;

“LIFFE” means The London International Financial Futures and Options Exchange;

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(1) See the definitions of “prescribed”, “dividend manufacturing regulations” and “unapproved manufactured payment”.  
(2) 1988 c. 1; subsection (6) of section 737 was amended by, and subsections (7A) and (7B) were inserted by, section 58(2) of, and paragraph 3 of Schedule 13 to, the Finance Act 1991 (c. 31); Schedule 23A was inserted by section 58(1) of, and paragraph 1 of Schedule 13 to, the Finance Act 1991. Schedule 23A, and section 737 (as amended by section 58(2) of, and paragraph 3 of Schedule 13 to, the Finance Act 1991) were brought into force, so far as these provisions relate to a manufactured dividend on United Kingdom equities, on 26th February 1992 by S.I.1992/173 (C.3).

“LIFFE (A &M)” means The London International Financial Futures Exchange (Administration and Management);

“the London Stock Exchange” means The International Stock Exchange of Great Britain and the Republic of Ireland Limited;

“the Management Act” means the Taxes Management Act 1970((3);

“the Maxlong limit” and “the Maxshort limit” have the meanings given by regulation 8(1) and 8(2) respectively;

“member” means a member of LIFFE (A &M) who is recognised as such by the Board of directors;

“option” means an option to buy or sell United Kingdom equities which is listed by and traded on LIFFE;

“options market maker” means a member who buys and sells, on his own account, options to buy or sell quoted United Kingdom equities and who, at the times specified in regulation 7(2) (b), (d) and (e) below, was recognised by the Board of directors as a market maker in relation to options in respect of quoted United Kingdom equities of a particular kind and was acting in the capacity of a market maker in relation to those options;

“quoted United Kingdom equities” means shares of any company resident in the United Kingdom which have been admitted to the Official List of the London Stock Exchange or which are permitted to be dealt in on the Unlisted Securities Market of the London Stock Exchange;

“relevant expiry month” means a calendar month during which an option to buy or sell quoted United Kingdom equities of a particular kind will expire, unless previously exercised;

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

“section 737” means section 737 of the Taxes Act;

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

“United Kingdom equities” means shares of any company resident in the United Kingdom.

## **Introductory**

### **3. These Regulations—**

- (a) prescribe certain matters for the purposes of the definition of “unapproved manufactured payment” in sub-paragraph (1) of paragraph 1 of Schedule 23A;
- (b) make modifications in the application of section 737;
- (c) make provision with respect to the records which are to be kept, the vouchers which are to be issued or produced and the returns which are to be made by dividend manufacturers in connection with the manufacturing of dividends;
- (d) make provision for a prescribed provision of the Management Act to apply to manufactured dividends.

## **Overall scope of these Regulations**

- 4. These Regulations apply to manufactured dividends on United Kingdom equities.**

## PART II

### PRESCRIPTION OF MATTERS FOR THE PURPOSES OF THE DEFINITION OF “UNAPPROVED MANUFACTURED PAYMENT”

#### Interpretation of Part II

5. In this part of these Regulations—

“manufactured dividend” shall be construed in accordance with paragraph 2 of Schedule 23A;

“paragraph (b)” means paragraph (b) of the definition of “unapproved manufactured payment” in sub-paragraph (1) of paragraph 1 of Schedule 23A;

“sub-paragraph (ii)” and “sub-paragraph (iii)” mean sub-paragraphs (ii) and (iii) respectively of paragraph (b).

#### Prescribed persons for the purposes of sub-paragraph (ii)

6. For the purposes of sub-paragraph (ii) this regulation prescribes—

(a) a member who buys and sells options to buy or sell quoted United Kingdom equities as a class or description of member; and

(b) LIFFE (A & M) as a recognised investment exchange.

#### Prescribed circumstances for the purposes of sub-paragraph (ii)

7.—(1) Paragraph (2) of this regulation prescribes, for the purposes of sub-paragraph (ii), the circumstances where a manufactured dividend shall be excepted from paragraph (b) by virtue of sub-paragraph (ii).

(2) The circumstances prescribed by this paragraph are where—

(a) the manufactured dividend is paid in respect of quoted United Kingdom equities of a particular kind (in this regulation referred to as “equities”);

(b) the manufactured dividend is paid by a member who, immediately before the time of entering into the contract or other arrangements for the transfer of the equities under which the manufactured dividend is paid (that time being referred to in this regulation as “the contract time”), is required to pay a manufactured dividend to the other party in respect of equities—

(i) purchased as an options market maker by way of a hedge against the likelihood of his having to deliver such equities on a future exercise of options which he has bought or sold, or

(ii) sold as an options market maker by way of a hedge against the likelihood of his having to receive such equities on a future exercise of options which he has bought or sold, or

(iii) purchased as an options principal trader by way of a hedge against the likelihood of his having to deliver such equities on a future exercise of options which he has bought or sold, or

(iv) sold as an options principal trader by way of a hedge against the likelihood of his having to receive such equities on a future exercise of options which he has bought or sold, or

(v) purchased or sold in order to meet his obligation to deliver or receive equities resulting from the earlier exercise of options by or against him;

- (c) the number of equities—
- (i) purchased by the member where paragraph (i) of sub-paragraph (b) applies, does not result in the total number of equities held by the member at the contract time for the purpose specified in that paragraph exceeding the Maxlong limit applicable on that date in respect of equities, or
  - (ii) sold by the member where paragraph (ii) of sub-paragraph (b) applies, does not result in the total number of equities sold at the contract time by the member for the purpose specified in that paragraph exceeding the Maxshort limit applicable on that date in respect of equities, or
  - (iii) purchased by the member where paragraph (iii) of sub-paragraph (b) applies, does not result in the total number of equities held by the member at the contract time for the purpose specified in that paragraph exceeding the Deltapluslong limit applicable on that date in respect of equities, or the Maxlong limit applicable on that date in respect of equities to which he would be subject if he were an options market maker, whichever is the less, or
  - (iv) sold by the member where paragraph (iv) of sub-paragraph (b) applies, does not result in the total number of equities sold by the member at the contract time for the purpose specified in that paragraph exceeding the Deltaplusshort limit applicable on that date in respect of equities, or the Maxshort limit applicable on that date in respect of equities to which he would be subject if he were an options market maker, whichever is the less, or
  - (v) purchased by the member in order to meet his obligation to deliver within paragraph (v) of sub-paragraph (b), does not exceed the amount, if any, by which the number of equities which he is so obliged to deliver exceeds the number of equities of that kind calculated by reference to the formula—

$$A - B - C$$

where—

A is the number of equities which he held at the time of exercise of those options, other than equities which he was obliged to deliver at that time as the result of an earlier agreement to sell equities which at the time of the agreement he did not own and had not agreed to purchase, which he had agreed to sell in order to hedge the likelihood of his having to receive such equities on a future exercise of options which he had bought or sold, and which did not exceed the appropriate limit at the time of the agreement,

B is the number of such equities which he was entitled to receive at that time as a result of the exercise of other options by or against him, and

C is the number of such equities which he held at that time by way of a hedge against the likelihood of his having to deliver such equities on a future exercise of other options which he had bought or sold;

- (d) if, and to the extent that, in the circumstances referred to in paragraphs (i) to (iv) of sub-paragraph (b) the number of equities so held or sold immediately before the contract time but before the payment of the manufactured dividend exceeds, at any time subsequent to the contract time, and for a period of six consecutive days, the appropriate limit as calculated from day to day in respect of equities, he has made the sales or purchases (as the case may require) necessary to eliminate that excess prior to the expiry of the day following the end of that period; and
- (e) if, and to the extent that, in the circumstances referred to in paragraph (v) of sub-paragraph (b), the number of equities so purchased or sold immediately before the contract

time but before the payment of the manufactured dividend exceeds, for a period of six consecutive days, the sum of—

- (i) the appropriate limit, as calculated from day to day, in respect of equities which are required as a hedge against the likelihood of his having to deliver or receive such equities on a future exercise of other options which he had bought or sold, and
- (ii) the number of equities which are required to meet his obligation to deliver or receive equities resulting from the exercise of other options by or against him,

he has made the sales or purchases (as the case may require) necessary to eliminate that excess prior to the expiry of the day following the end of that period.

(3) For the purposes of sub-paragraphs (c)(v), (d) and (e) of paragraph (2), “the appropriate limit” means—

- (a) as regards a member who is an options market maker in relation to those equities at the time of the agreement referred to in the definition of A in sub-paragraph (c)(v) of paragraph (2) or, as the case may be, during the period specified in sub-paragraph (d) or (e) of that paragraph, the Maxlong limit or the Maxshort limit (as the case may require), and
- (b) as regards a member who is an options principal trader in relation to those equities at the time or, as the case may be, during the period referred to in sub-paragraph (a) of this paragraph, the Deltapluslong limit or the Maxlong limit, whichever is the less, or the Deltaplusshort limit or the Maxshort limit, whichever is the less (as the case may require).

### **Meaning of the Maxlong limit and the Maxshort limit**

**8.—(1)** For the purposes of these Regulations, “the Maxlong limit” means, in relation to options entered into by a member who is an options market maker to buy or sell quoted United Kingdom equities of a particular kind, the maximum number of such equities which is found by—

- (a) making the following calculation in respect of each relevant expiry month and each designated account—

**D E**

where D is the number of equities which he is likely to deliver, and E is the number of equities which he is likely to receive, on the exercise of options expiring within that month, on the assumption that—

- (i) the market price of the equities is at a figure which having regard to paragraphs (ii) and (iii) would produce the maximum figure resulting from that calculation,
  - (ii) such options as give the holder the right to buy such equities at a price above that market price, or to sell such equities at a price below that market price, are not exercised, and
  - (iii) such options as give the holder the right to buy such equities at a price equal to or below that market price, or to sell such securities at a price equal to or above that market price, are exercised;
- (b) where the amount calculated by reference to sub-paragraph (a) is a negative amount, treating that amount as zero; and
  - (c) aggregating the amounts so calculated in respect of all relevant expiry months and designated accounts.

(2) For the purposes of these Regulations “the Maxshort limit” means, in relation to options entered into by a member who is an options market maker to buy or sell quoted United Kingdom equities of a particular kind, the maximum number of such equities which is found by—

- (a) making the following calculation in respect of each relevant expiry month and each designated account—

$$F - G$$

where F is the number of equities which he is likely to receive, and G is the number of equities which he is likely to deliver, on the exercise of options expiring within that month, on the assumption specified in paragraphs (i) to (iii) of sub-paragraph (a) of paragraph (1) above; and

- b proceeding as specified in sub-paragraphs (b) and (c) of paragraph (1).

### **Meaning of the Deltapluslong limit and the Deltaplusshort limit**

9.—(1) For the purposes of these Regulations “the Deltapluslong limit” means, in relation to options entered into by a member who is an options principal trader to buy or sell quoted United Kingdom equities of a particular kind, the maximum number of such equities which is found by—

- (a) subject to sub-paragraph (c), making the following calculation in respect of each relevant expiry month and each designated account—

$$J - K$$

where J is the number of such equities which he is likely to deliver on the exercise of options expiring within that month, calculated by multiplying the most recently published Delta number by the number of equities in respect of each option which would be transferred if that option were exercised, and K is the number of equities which, adopting the same method of calculation, he is likely to receive, on the exercise of such options;

- b increasing the amount calculated in sub-paragraph (a) by 20 per cent. of the sum of the number of such equities which he would be obliged to deliver and the number he would be obliged to receive, if those options were all exercised;
- c where at the time of calculation such options would expire, unless previously exercised, within a period of four weeks, making the calculation specified in regulation 8(1)(a) in respect of those options for the relevant expiry month instead of the calculations referred to in sub-paragraphs (a) and (b) of this paragraph;
- d where the amount calculated by reference to sub-paragraphs (a) and (b) or the amount calculated by reference to sub-paragraph (c) is a negative amount, treating that amount as zero; and
- e aggregating the amounts so calculated in respect of all relevant expiry months and designated accounts.

(2) For the purposes of these Regulations “the Deltaplusshort limit” means, in relation to options entered into by a member who is an options principal trader to buy or sell quoted United Kingdom equities of a particular kind, the maximum number of such equities which is found by—

- (a) subject to sub-paragraph (c), making the following calculation in respect of each relevant expiry month and each designated account—

$$L - M$$

where L is the number of such equities which he is likely to receive on the exercise of options expiring within that month, calculated by multiplying the most recently published Delta number by the number of equities in respect of each option which would be transferred if that option were exercised, and M is the number of equities which, adopting the same method of calculation, he is likely to deliver, on the exercise of such options;

- b increasing the amount calculated in sub-paragraph (a) by 20 per cent. of the sum of the number of such equities which he would be obliged to deliver and the number he would be obliged to receive, if those options were all exercised;
  - c where at the time of calculation such options would expire, unless previously exercised, within a period of four weeks, making the calculation specified in regulation 8(2)(a) in respect of those options for the relevant expiry month instead of the calculations referred to in sub-paragraphs (a) and (b) of this paragraph; and
  - d proceeding as specified in sub-paragraphs (d) and (e) of paragraph (1).
- (3) For the purposes of paragraphs (1) and (2) “the Delta number” means the number which—
- (a) is calculated and published from time to time under the authority of the Board of directors in relation to each type of option and the price at which the option may be exercised, and
  - (b) reflects the degree of probability of exercise of that option as determined by the Board of directors in the light of the current market price of the shares or stock to which the option relates.

**Prescribed recognised clearing house and circumstances for the purposes of sub-paragraph (iii)**

10. For the purposes of sub-paragraph (iii) this regulation prescribes—
- (a) The London Clearing House Limited as a recognised clearing house; and
  - (b) circumstances where the manufactured dividend is paid by The London Clearing House Limited in relation to its clearing function for LIFFE as circumstances where a manufactured dividend shall be excepted from paragraph (b) by virtue of sub-paragraph (iii).

## PART III

### MODIFICATIONS OF SECTION 737

**Interpretation of Part III**

11. In this part of these Regulations—
- “dividend manufacturer” and “manufactured dividend” shall be construed in accordance with subsection (1) of section 737(3);
  - “manufactured overseas dividend” shall be construed in accordance with paragraph 4 of Schedule 23A;
  - “overseas dividend” has the meaning given in sub-paragraph (1) of paragraph 1 of Schedule 23A;
  - “relief” shall be construed in accordance with subsection (5A) of section 737(4);
  - “subsection (7A)” and “subsection (7B)” mean subsections (7A) and (7B) respectively of section 737.

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(3) 1970 c. 9.

(4) Subsection (1) was substituted by section 58(2) of, and paragraph 3(2) of Schedule 13 to, the Finance Act 1991. Subsection (5A) was inserted by section 58(2) of, and paragraph 3(5) of Schedule 13 to, the Finance Act 1991.

**Prescribed persons for the purposes of subsection (7A)**

12. For the purposes of paragraph (b) of subsection (7A) this regulation prescribes—
- (a) a member who buys and sells options to buy or sell quoted United Kingdom equities as a class or description of member;
  - (b) LIFFE (A & M) as a recognised investment exchange;
  - (c) a market maker as defined in sub-paragraph (1) of paragraph 1 of Schedule 23A as a class or description of member; and
  - (d) the London Stock Exchange as a recognised investment exchange.

**Modifications of section 737(1)**

13.—(1) Paragraph (2) prescribes, for the purposes of subsections (7A) and (7B), the modifications with which subsection (1) of section 737 shall apply in the cases specified in paragraphs (3) and (4).

- (2) The prescribed modifications to subsection (1) of section 737 are that—
- (a) the charge to tax under subsection (1) of section 737 shall only apply to the extent that the manufactured dividends (other than manufactured overseas dividends) paid exceed dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received;
  - (b) the dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received shall not be treated as the income of the dividend manufacturer to the extent that they do not exceed dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) paid;
  - (c) to the extent that manufactured dividends (other than manufactured overseas dividends) paid do not exceed dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received, they shall not qualify for relief in the hands of the dividend manufacturer; and
  - (d) section 350(1) of, and Schedule 16 to, the Taxes Act, shall not apply.

(3) The cases specified in this paragraph are where the dividend manufacturer is a person prescribed under regulation 12(a) or (c) above.

(4) The cases specified in this paragraph are where the manufactured dividend is not an unapproved manufactured payment within the meaning of sub-paragraph (1) of paragraph 1 of Schedule 23A, and Part II of these Regulations.

**Modifications of section 737(5A)**

14.—(1) In the cases specified in paragraph (3), paragraph (2) prescribes, for the purposes of subsections (7A) and (7B), the modifications for subsection (5A) of section 737 to apply.

(2) The prescribed modifications to subsection (5A) of section 737 are that relief by way of deduction in computing profits or gains shall not be given to any person under any provision of the Tax Acts in respect of the net amount of the manufactured dividend or in respect of any amount which that person is required to deduct from the manufactured dividend on account of income tax.

- (3) The cases specified in this paragraph are where—
- (a) the manufactured dividend is an unapproved manufactured payment within the meaning of sub-paragraph (1) of paragraph 1 of Schedule 23A and Part II of these Regulations; and
  - (b) the manufactured dividend is paid by a member of the London Stock Exchange or by a member of LIFFE.



## PART IV

### ADMINISTRATIVE ARRANGEMENTS RELATING TO SCHEDULE 23A

#### Interpretation of Part IV

15. In this part of these Regulations—

“manufactured dividend” shall be construed in accordance with paragraph 2 of Schedule 23A;

“unapproved manufactured payment” has the meaning given in sub-paragraph (1) of paragraph 1 of Schedule 23A, and in Part II of these Regulations;

“approved manufactured payment” means a manufactured dividend which is not an unapproved manufactured payment;

“qualifying person” means a person able to pay an approved manufactured payment.

#### Provision of information relating to approved manufactured payments in certain cases

16. Where a qualifying person pays an approved manufactured payment to another qualifying person (“the recipient”) subsection (3) of section 234 of the Taxes Act shall not apply unless the recipient requires a statement in writing as mentioned in that subsection.

#### Inclusion of information relating to manufactured payments in corporate returns

17. In a return under Schedule 13 to the Taxes Act, a company shall show unapproved manufactured payments and the tax in respect of those payments separately from approved manufactured payments.

#### Information about transactions carried on by qualifying persons

18. The Commissioners of Inland Revenue may exercise the powers conferred by section 21 of the Management Act<sup>(5)</sup> as respects, and in connection with, any business which is, or has been carried on by a qualifying person, and the provisions of that section shall apply with any necessary modifications.

## PART V

### ADMINISTRATIVE ARRANGEMENTS RELATING TO SECTION 737

#### Interpretation of Part V

19. In this part of these Regulations—

“dividend manufacturer” and “manufactured dividend” shall be construed in accordance with subsection (1) of section 737;

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

“overseas dividend” has the meaning given in sub-paragraph (1) of paragraph 1 of Schedule 23A;

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(5) Section 21 was amended by paragraph 5(a) of Schedule 21 to, and Part IV of Schedule 22 to, the Finance Act 1973 (c. 51) and by paragraph 7(1), (2) and (3) of Schedule 18 to the Finance Act 1986 (c. 41).

“unapproved manufactured payment” has the meaning given in sub-paragraph (1) of paragraph 1 of Schedule 23A, and in Part II of these Regulations;

“approved manufactured payment” means a manufactured dividend which is not an unapproved manufactured payment;

“qualifying person” means a person able to pay an approved manufactured payment.

### **Accounting for tax chargeable where regulation 13 applies**

**20.**—(1) This regulation applies to a person prescribed under regulation 12(a) or (c) (in this regulation called “the person in question”).

(2) The person in question shall make a return for—

- (a) each complete quarter falling within the period of account, that is to say, each of the periods of three months ending with 31st March, 30th June, 30th September or 31st December which falls within that period;
- (b) each part of the period of account which is not a complete quarter and ends on the first (or only), or begins immediately after the last (or only), of those dates which falls within the period of account;
- (c) if none of those dates falls within the period of account, the whole of that period.

(3) A return for any period for which a return is required to be made under this regulation (“a return period”) shall be made within 14 days from the end of that period.

(4) The return made by the person in question for any return period shall show—

- (a) the amount of manufactured dividends (other than manufactured overseas dividends) on which tax is accountable under subsection (1) of section 737;
- (b) the amount of dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received by him in that period;
- (c) the amount of dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received on which tax is accountable under subsection (5) of section 737<sup>(6)</sup>; and
- (d) the amount of tax accountable under subsections (1) and (5) of section 737.

(5) In a return under this regulation, the person in question shall show unapproved manufactured payments and the tax in respect of those payments separately from approved manufactured payments.

(6) Tax in respect of manufactured dividends required to be included in a return under this regulation shall be due at the time by which the return for that period is to be made, and tax so due shall be payable without the making of any assessment.

(7) Tax which has become so due may be assessed on the person in question (whether or not it has been paid when the assessment is made) if that tax, or any part of it, is not paid on or before the due date.

(8) If it appears to the inspector that there is a manufactured dividend which ought to have been and has not been included in a return, or if the inspector is dissatisfied with any return, he may make an assessment on the person in question to the best of his judgment; and any tax due under an assessment made by virtue of this paragraph shall be treated for the purposes of interest on unpaid tax as having been payable at the time when it would have been payable if a correct return had been made.

(9) If, during a later return period within the period of account, dividends (other than overseas dividends) are received which exceed the manufactured dividends (other than manufactured overseas

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(6) Subsection (5) was substituted by section 58(2) of, and paragraph 3(4) of Schedule 13 to, the Finance Act 1991.

dividends) paid in that same later return period, the tax credit received may be set against any tax paid under section 737 in respect of an earlier return period within the same period of account, and a repayment of tax shall be made accordingly.

- (10) At the end of the period of account—
- (a) where the person in question is a company that is not resident in the United Kingdom but carries on a trade through a branch or agency in the United Kingdom which is a market maker as defined in sub-paragraph (1) of paragraph 1 of Schedule 23A or a member of LIFFE, any surplus tax credits received shall be carried forward to that person's next accounting period;
  - (b) where the person in question is not a company such as is mentioned in sub-paragraph (a) above, any excess dividends shall be charged to tax and any associated tax credits received shall be set against tax payable in respect of that accounting period.
- (11) In this regulation "period of account" means—
- (a) where the person in question draws up accounts, a period for which he draws up his accounts, or
  - (b) where the person in question does not draw up accounts, a period beginning on the date when he pays a manufactured dividend (other than a manufactured overseas dividend) and ending either 12 months later or on the day preceding the period for which he next draws up his accounts (whichever is the earlier).

#### **Provision of information relating to payments of manufactured dividends**

**21.**—(1) Subject to paragraph (2), where a dividend manufacturer pays a manufactured dividend, he shall furnish the recipient with a statement in writing showing the gross amount of the payment, the amount of tax deducted, and the actual amount paid, and section 352 of the Taxes Act(7) shall not apply.

(2) Where a qualifying person pays an approved manufactured payment to another qualifying person section 352 of the Taxes Act shall apply.

#### **Information about transactions carried on by certain persons**

**22.** The Commissioners of Inland Revenue may exercise the powers conferred by section 21 of the Management Act as respects, and in connection with, any business which is, or has been carried on by a member of the London Stock Exchange or by a member of LIFFE who is capable of paying an approved manufactured payment, and the provisions of that section shall apply with any necessary modifications.

#### **Treatment of tax taken into account under regulation 13**

**23.** Tax taken into account under regulation 13(2) shall be treated as tax deducted for the purposes of section 352 of the Taxes Act, paragraph 2(3)(b) of Schedule 23A and regulation 21 above.

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(7) Section 352 was amended by paragraph 11 of Schedule 5 to the Finance Act 1990 (c. 29).

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

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9th March 1992

*Irvine Patnick*  
*Gregory Knight*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations, which come into force on 22nd March 1992, are made under provisions in section 737 of, and Schedule 23A to, the Income and Corporation Taxes Act 1988 (“section 737” and “Schedule 23A” respectively). Section 737 was amended by, and Schedule 23A was inserted by, section 58 of, and Schedule 13 to, the Finance Act 1991.

These Regulations contain provisions which apply to manufactured dividends in respect of the shares of companies resident in the United Kingdom. The provisions take account of the proposal to merge the London International Financial Futures Exchange and the London Traded Options Market of the London Stock Exchange; and the date of coming into force of these Regulations coincides with the completion of the merger between the two Exchanges.

These Regulations are in a number of parts, of which Part I is general. Regulation 1 provides for citation and commencement, regulation 2 contains definitions, and regulation 3 is introductory.

Regulation 4 provides that these Regulations apply only to manufactured dividends on United Kingdom equities.

Part II of these Regulations makes changes in the definition of “unapproved manufactured payment” in paragraph 1(1) of Schedule 23A. Regulation 5 contains definitions for the purposes of this part, and regulations 6, 7 and 10 prescribe various persons and circumstances for the purposes of paragraph (b) of that definition. The effect of these regulations is that manufactured dividends do not constitute unapproved manufactured payments when paid by the prescribed persons in the prescribed circumstances. Regulation 8 defines “the Maxlong limit” and “the Maxshort limit”, and regulation 9 “the Deltapluslong limit” and “the Deltaplusshort limit”, four terms that are used in regulation 7.

Part III of these Regulations modifies section 737. Regulation 11 contains definitions for the purposes of this part, and regulation 12 prescribes various persons for the purposes of subsection (7A) of that section. Regulation 13 makes provision for the modification of section 737(1) in the cases specified in that regulation; and regulation 14 makes provision for the modification of section 737(5A).

Part IV of these Regulations contains administrative provisions relating to Schedule 23A.

Regulation 15 contains definitions used in this Part.

Regulation 16 provides that, in certain limited circumstances, a statement in writing under section 234(3) of the 1988 Act need not be given where a manufactured dividend is paid.

Regulation 17 makes provision for different types of manufactured dividend to be shown separately in a return under Schedule 13 to the 1988 Act.

Regulation 18 provides for section 21 of the Taxes Management Act 1970 to apply where certain persons pay certain types of manufactured dividend.

Part V of these Regulations contains administrative provisions relating to section 737.

Regulation 19 contains definitions used in this Part.

Regulation 20 makes provision for the accounting for tax chargeable where regulation 13 applies.

Regulation 21 makes provision for the furnishing of information where a manufactured dividend is paid.

Regulation 22 contains provisions that correspond to those in regulation 18.

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

Regulation 23 makes provision for the treatment of tax taken into account under regulation 13 in certain circumstances.