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STATUTORY INSTRUMENTS

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**2008 No. 3159**

**The Authorised Investment Funds (Tax)  
(Amendment No. 3) Regulations 2008**

**Insertion of regulations 69Z24A to 69Z24D**

27. After regulation 69Z24 (distribution payments to be made without deduction of tax) insert—

**“Manufactured dividends representing property income distributions**

**69Z24A.**—(1) This regulation applies to the extent that a manufactured dividend which is paid by a dividend manufacturer is representative of property income distributions to which regulation 69Z15 applies.

(2) The amount of the manufactured dividend falling within paragraph (1) is referred to in this regulation as “the manufactured PID amount”.

(3) The recipient of the manufactured PID amount is treated as having received a distribution to which regulation 69Z18 applies.

(4) In relation to the dividend manufacturer—

- (a) if the dividend manufacturer is a company and the manufactured dividend is paid in the course of a trade carried on in the United Kingdom, the manufactured PID amount shall be treated as an expense of the trade;
- (b) if the manufactured dividend is paid in connection with investment business, the manufactured PID amount shall be treated for the purposes of section 75 of ICTA(1) as expenses of management; and
- (c) in the case of a company carrying on life assurance business, so much of the manufactured PID amount as would be referable by virtue of section 432A of ICTA (2) to basic life assurance and general annuity business if it were received by the company shall be treated for the purposes of section 76 of ICTA (3) as if it were an expense payable falling to be brought into account at step 3 of section 76(7).

(5) Regulations 69Z22, 69Z24 and 69Z29 to 69Z35 apply to the dividend manufacturer as if—

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- (1) 1988, c. 1. Section 75 was substituted by section 38(1) of the Finance Act 2004 (c. 12), and amended by section 28 of the Finance Act 2007 (c. 11).
- (2) Section 432A was inserted, in relation to income arising, and disposals occurring, on or after 1 January 1990, by section 41 of, and paragraph 4 of Schedule 6 (subject to paragraphs 11 and 12 thereof) to, the Finance Act 1990 (c. 29). It was amended by paragraph 17 of Schedule 17 to the Finance Act 2008 (c. 9); by paragraph 8 of Schedule 7 to the Finance Act 2004 (c. 12); by article 52 of S.I. 2001/3629; by paragraph 13 of Schedule 8 to the Finance Act 1995 (c. 4); by section 38 of, and paragraph 13 of Schedule 7 to, the Finance Act 2007 (c. 11) (subject to transitional provisions in paragraphs 80 to 84); by paragraph 3 of Schedule 7 to, and Part V of Schedule 19 to, the Finance Act 1991 (c. 31); by section 167(2) of the Finance Act 1996; and by article 9 of S.I. 2008/954.
- (3) Section 76 was substituted by section 40(1) of the Finance Act 2004 (c. 12) in relation to accounting periods beginning on or after 1st April 2004. Subsection (7) was amended by paragraph 2 of Schedule 8 to the Finance Act 2007 (c. 11) (subject to transitional provisions in paragraphs 28 and 29); by paragraph 5 of Schedule 17 to the Finance Act 2008 (c. 9); and by paragraph 16 of Schedule 10 to, and Part 2 (8) and (10) of Schedule 27 to, and paragraph 3 of Schedule 7 to, the Finance Act 2007.

- (a) the dividend manufacturer were an open-ended investment company to which this Part applies; and
- (b) the manufactured PID amount were a distribution to which those regulations apply.

### **Manufactured dividends representing PAIF distributions (interest)**

**69Z24B.**—(1) This regulation applies to the extent that a manufactured dividend which is paid by a dividend manufacturer is representative of a PAIF distribution (interest) to which regulation 69Z16 applies.

(2) The amount of the manufactured dividend to which this regulation applies is referred to in this regulation as the “manufactured PAIF interest amount”.

(3) If the recipient of the manufactured dividend is a company within the charge to corporation tax it is treated as having received, in relation to the manufactured PAIF interest amount, an amount to which section 97 of FA 1996(4) applies.

(4) If the recipient of the manufactured dividend is within the charge to income tax it is treated as having received, in relation to the manufactured PAIF interest amount, an amount to which regulation 69Z19 applies.

(5) If the dividend manufacturer is a company within the charge to corporation tax, section 97 of FA 1996 is treated as applying to the manufactured PAIF interest amount.

(6) Regulations 69Z23, 69Z24 and 69Z29 to 69Z35 apply to the dividend manufacturer in relation to the manufactured PAIF interest amount as if the dividend manufacturer were an open-ended investment company to which this Part applies.

### **Manufactured dividends – PAIF distributions (dividends)**

**69Z24C.**—(1) This regulation applies to the extent that a manufactured dividend which is paid by a dividend manufacturer is representative of a PAIF distribution (dividends) to which regulation 69Z17 applies.

(2) The recipient of the manufactured dividend is treated as having received, to that extent, an amount to which regulation 69Z20 applies.

(3) If the dividend manufacturer is a company, paragraph 2(2)(b) of Schedule 23A to ICTA (5) has effect in relation to the amount of the manufactured dividend to which paragraph (1) applies.

### **Interpretation**

**69Z24D.** In regulations 69Z24A to 69Z24C, “manufactured dividend” and “dividend manufacturer” have the meanings given by Schedule 23A to ICTA .”.

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(4) 1996, c. 8. Section 97 was amended by section 82 of, and paragraph 13 of Schedule 25 to, the Finance Act 2002 (c. 23); by paragraph 11 of Schedule 7 to the Finance (No. 2) Act 2005 (c. 22); by paragraph 374 to Schedule 1 to the Income Tax Act 2007 (c. 3); and section 47 of, and Schedule 14 to, the Finance Act 2007 (c. 11); by paragraph 16 of Schedule 14 to the Finance Act 2007 (c. 11); by Part VI(10) of Schedule 18 to the Finance Act 1997.

(5) 1988, c. 1. Schedule 23A was inserted, in relation to manufactured dividends on United Kingdom equities paid on or after 26 February 1992, and in relation to payments of amounts representative of periodical payments of interest on United Kingdom securities made on or after 30 June 1992, and inserted for remaining purposes in relation to payments made on or after 22 April 1993 by paragraph 1 of Schedule 13 to the Finance Act 1991 (c. 31). It was substituted by section 102(5) of the Finance Act 1998 (c. 36).