



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 17

#### MANUFACTURED PAYMENTS AND REPOS

#### CHAPTER 1

#### INTRODUCTION

#### **780 Overview of Part**

- (1) This Part is about the corporation tax treatment of some arrangements for the transfer of securities.
- (2) Chapters 2 to 4 deal with arrangements for the transfer of securities under which provision is made for the payment of amounts representative of dividends or interest in respect of the securities.
- (3) In Chapter 5—
  - (a) sections 808 to 810 prevent parties to stock lending arrangements and certain other arrangements from being entitled to tax credits in some circumstances, and
  - (b) section 812 deals with some stock lending arrangements under which the dividends or interest in respect of the transferred securities are paid to a person other than the lender.
- (4) Chapter 6 contains definitions that apply for the purposes of this Part.
- (5) For the meaning of “stock lending arrangements” see section 805.

#### **781 Key definitions**

- (1) In this Part “manufactured dividend” has the meaning given by section 782.

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- (2) In this Part “manufactured overseas dividend” has the meaning given by section 790.

## CHAPTER 2

### MANUFACTURED DIVIDENDS

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

“Manufactured dividend” means an amount which—

- (a) is representative of a dividend on UK shares, and
- (b) is required to be paid by one person to another under an arrangement between them for the transfer of the shares.

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

- (1) This section applies if—
  - (a) a company (“the payer”) pays a manufactured dividend, and
  - (b) the dividend of which the manufactured dividend is representative is taxable.
- (2) For this purpose a dividend is taxable if—
  - (a) it is received by the payer and the charge to corporation tax on income applies to it, or
  - (b) it is received by a person other than the payer and the charge to corporation tax on income would have applied to it if it had been received by the payer.
- (3) If the payer carries on a trade to which the manufactured dividend relates, the manufactured dividend is treated as an expense of the trade.
- (4) But subsection (3) does not apply so far as the manufactured dividend is treated as mentioned in subsection (5) or (6).
- (5) If the payer has investment business to which the manufactured dividend relates the manufactured dividend is treated as expenses of management of the business for the purposes of Part 16 of CTA 2009.
- (6) If the payer carries on life assurance business to which the manufactured dividend relates, then so far as the manufactured dividend is referable to basic life assurance and general annuity business it is treated as if it were an expense payable falling to be brought into account at Step 3 in section 76(7) of ICTA (amount of expenses deduction).
- (7) For the purposes of subsection (6), the manufactured dividend is treated as referable to basic life assurance and general annuity business so far as the dividend of which it is representative—
  - (a) is received by the payer and is so referable under section 432A of ICTA (apportionment of income and gains), or
  - (b) is received by another person and would have been so referable under section 432A of ICTA if it had been received by the payer.
- (8) This section is subject to—
  - (a) section 796 (manufactured dividends: amounts exceeding underlying payments), and

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- (b) section 803 (power to deal with special cases).

#### **784 Treatment of recipient of manufactured dividend**

- (1) If a person pays a manufactured dividend to another person, the Corporation Tax Acts apply in relation to—
  - (a) the recipient of the manufactured dividend, and
  - (b) companies claiming title through or under the recipient,as if the manufactured dividend were a dividend on the shares.
- (2) Subsection (1) is subject to—
  - (a) section 786 (treatment of recipient: Real Estate Investment Trusts),
  - (b) section 796 (manufactured dividends: amounts exceeding underlying payments), and
  - (c) section 803 (power to deal with special cases).

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

- (1) If a company (“the payer”) pays a manufactured dividend, subsections (2) to (4) apply so far as the manufactured dividend is representative of a dividend which—
  - (a) is paid by a company UK REIT in respect of profits or gains (or both) of the company's property rental business, or
  - (b) is paid by the principal company of a group UK REIT in respect of profits or gains (or both) of members of the group as shown in the financial statement under section 532(2)(b) (statement of group's property rental business in UK).
- (2) If the manufactured dividend is paid in the course of a trade carried on in the United Kingdom, the manufactured dividend is treated as an expense of the trade.
- (3) If the manufactured dividend is paid in connection with investment business, the manufactured dividend is treated as expenses of management for the purposes of Part 16 of CTA 2009 (companies with investment business).
- (4) If the payer carries on life assurance business, so far as the manufactured dividend meets one of the conditions in subsection (5) it is treated as if it were an expense payable falling to be brought into account at Step 3 in section 76(7) of ICTA (amount of expenses deduction).
- (5) The conditions are that the manufactured dividend—
  - (a) is referable to basic life assurance and general annuity business,
  - (b) is treated under section 432A of ICTA (apportionment of income and gains) as so referable, or
  - (c) would be so treated if received by the payer.
- (6) In this section—
  - “company UK REIT” has the same meaning as in Part 12 (Real Estate Investment Trusts) (see section 524(5)),
  - “group UK REIT” has the same meaning as in that Part (see section 523(5)),
  - “principal company” has the same meaning as in that Part (see section 606), and
  - “property rental business” has the same meaning as in that Part (see section 519).

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- (7) This section is subject to—
- (a) section 796 (manufactured dividends: amounts exceeding underlying payments), and
  - (b) section 803 (power to deal with special cases).

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

- (1) If a person (“the payer”) pays a manufactured dividend, subsection (2) applies (instead of section 784(1)), so far as the manufactured dividend is representative of a dividend that falls within section 785(1)(a) or (b).
- (2) The Corporation Tax Acts apply in relation to the recipient, and companies claiming title through or under the recipient, as if the manufactured dividend were a dividend to which section 548 applied (distributions: liability to tax).
- (3) This section is subject to—
  - (a) section 796 (manufactured dividends: amounts exceeding underlying payments), and
  - (b) section 803 (power to deal with special cases).

#### **787 Exemption of manufactured dividends**

- (1) Part 9A of CTA 2009 (company distributions), in its application in relation to a manufactured dividend as a result of section 784, has effect with the following modification.
- (2) The modification is that—
  - (a) references in that Part to the payer are to be treated as references to the company that pays the dividend of which the manufactured dividend is representative, and
  - (b) the definition of “the payer” in section 931T is to be treated as omitted.

#### **788 Statements about manufactured dividends**

- (1) Subsections (3) to (7) apply to a non-UK resident company within the charge to corporation tax if it pays a manufactured dividend.
- (2) But those subsections do not apply so far as the manufactured dividend is representative of a dividend that falls within section 785(1)(a) or (b).
- (3) The company must, at the same time as paying the manufactured dividend, give the recipient a statement.
- (4) The statement must set out—
  - (a) the amount of the manufactured dividend paid,
  - (b) the date of the payment, and
  - (c) the amount of associated tax credit.
- (5) The statement must be in writing.
- (6) The amount of associated tax credit is the amount of tax credit to which the recipient, or a person claiming title through or under the recipient—

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- (a) is entitled in respect of the manufactured dividend as a result of section 784(1) of this Act or section 573(2) of ITA 2007, or
  - (b) would be so entitled if all the conditions for a tax credit had been met in the case of the deemed dividend and the recipient or that person.
- (7) The duty under subsection (3) to give a statement is enforceable by the recipient.

### **789 Powers about administrative provisions**

The Treasury may by regulations make provision about—

- (a) the accounts and other records which are to be kept, and
  - (b) the vouchers which are to be issued or produced,
- by payers of manufactured dividends.

## **CHAPTER 3**

### **MANUFACTURED OVERSEAS DIVIDENDS**

### **790 Meaning of “manufactured overseas dividend”**

“Manufactured overseas dividend” means an amount which—

- (a) is representative of an overseas dividend on overseas securities, and
- (b) is required to be paid by one person to another under an arrangement between them for the transfer of the overseas securities.

### **791 Treatment of payer of manufactured overseas dividend**

- (1) This section applies if—
  - (a) a company (“the payer”) pays a manufactured overseas dividend, and
  - (b) the overseas dividend of which the manufactured overseas dividend is representative is taxable.
- (2) For this purpose an overseas dividend is taxable if—
  - (a) it is received by the payer and the charge to corporation tax on income applies to it, or
  - (b) it is received by a person other than the payer and the charge to corporation tax on income would have applied to it if it had been received by the payer.
- (3) If—
  - (a) the payer carries on a trade to which the manufactured overseas dividend relates, and
  - (b) neither subsection (4) nor subsection (6) applies,the manufactured overseas dividend is treated as an expense of the trade.
- (4) If the payer has investment business to which the manufactured overseas dividend relates, the manufactured overseas dividend is treated as expenses of management of the business for the purposes of Part 16 of CTA 2009.
- (5) Subsection (6) applies if the payer carries on life assurance business to which the manufactured overseas dividend relates.

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- (6) So far as the manufactured overseas dividend is referable to basic life assurance and general annuity business, the manufactured overseas dividend is treated as if it were an expense payable falling to be brought into account at Step 3 in section 76(7) of ICTA (amount of expenses deduction).
- (7) For the purposes of subsection (6), the manufactured overseas dividend is treated as referable to basic life assurance and general annuity business so far as the overseas dividend of which it is representative—
  - (a) is received by the payer and is so referable under section 432A of ICTA (apportionment of income and gains), or
  - (b) is received by another person and would have been so referable under section 432A of ICTA if it had been received by the payer.

## **792 Company receiving manufactured overseas dividend from UK resident etc**

- (1) This section applies if—
  - (a) a person pays a manufactured overseas dividend,
  - (b) section 922(1) of ITA 2007 (manufactured overseas dividends: payments by UK residents etc) applies, and
  - (c) the amount required to be deducted as a result of that section has been deducted.
- (2) Subsections (3) and (4) apply in relation to the recipient, and companies claiming title through or under the recipient, for all purposes of the Corporation Tax Acts except Part 5 of CTA 2009 (loan relationships).
- (3) The manufactured overseas dividend is treated as if it were—
  - (a) an overseas dividend of an amount equal to the gross amount of the manufactured overseas dividend, but
  - (b) paid after the withholding from it, on account of overseas tax, of the amount specified in section 793.
- (4) The amount mentioned in subsection (3)(b) is accordingly to be treated as an amount withheld on account of overseas tax instead of as an amount on account of income tax.
- (5) Subsections (3) and (4) are subject to—
  - (a) section 797 (manufactured overseas dividends: amounts exceeding underlying payments), and
  - (b) section 798 (manufactured overseas dividends less than underlying payments).

## **793 Section 792: amount treated as withheld**

- (1) Except where subsection (3) applies, the amount mentioned in section 792(3)(b) is the amount deducted under section 922(2) of ITA 2007.
- (2) Subsection (3) applies if the deduction under section 922(2) of ITA 2007 is made in respect of a manufactured overseas dividend that is treated as paid under section 925A of ITA 2007 (creditor repos).
- (3) The amount mentioned in section 792(3)(b) is—

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- (a) if subsection (4) applies, the amount deducted under section 922(2) of ITA 2007,
  - (b) if subsection (5) applies—
    - (i) the amount deducted under section 922(2) of ITA 2007, less
    - (ii) the excess mentioned in subsection (5)(b), and
  - (c) in any other case, nil.
- (4) This subsection applies if—
- (a) an amount is actually paid by way of manufactured overseas dividend,
  - (b) the amount so paid equals the relevant net amount, and
  - (c) it is reasonable to assume that, in deciding the repurchase price of the securities, no account was taken of the fact that the amount would be so paid.
- (5) This subsection applies if—
- (a) an amount is actually paid by way of manufactured overseas dividend,
  - (b) the amount so paid exceeds the relevant net amount, and
  - (c) it is reasonable to assume that, in deciding the repurchase price of the securities, no account was taken of the fact that the amount would be so paid.
- (6) In subsections (4)(b) and (5)(b) “the relevant net amount” means—
- (a) the gross amount of the overseas dividend of which the manufactured overseas dividend is representative, less
  - (b) the amount deducted under section 922(2) of ITA 2007.
- (7) In subsections (4)(c) and (5)(c)—
- (a) “the securities” refers to the securities in respect of which the overseas dividend of which the manufactured overseas dividend is representative is paid, and
  - (b) the references to the repurchase price of those securities are to the price at which the payer of the manufactured overseas dividend is entitled or obliged to sell the securities, or similar securities, to the recipient of the manufactured overseas dividend.

#### **794 Company receiving manufactured overseas dividend from foreign payer**

- (1) This section applies if—
- (a) a person pays a manufactured overseas dividend,
  - (b) section 923(1) of ITA 2007 (foreign payers of manufactured overseas dividends: the reverse charge) applies, and
  - (c) the amount of income tax required to be accounted for and paid under that section has been accounted for and paid.
- (2) Subsections (3) and (4) apply in relation to the recipient, and companies claiming title through or under the recipient, for all purposes of the Corporation Tax Acts except Part 5 of CTA 2009 (loan relationships).
- (3) The manufactured overseas dividend is treated as if it were—
- (a) an overseas dividend of an amount equal to the gross amount of the manufactured overseas dividend, but
  - (b) paid after the withholding from it, on account of overseas tax, of the amount accounted for and paid as a result of section 923 of ITA 2007.

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- (4) The amount mentioned in subsection (3)(b) is accordingly to be treated as an amount withheld on account of overseas tax instead of as an amount on account of income tax.
- (5) Subsections (3) and (4) are subject to—
- (a) section 797 (manufactured overseas dividends: amounts exceeding underlying payments), and
  - (b) section 798 (manufactured overseas dividends less than underlying payments).

### **795 Exemption of manufactured overseas dividends**

- (1) Part 9A of CTA 2009 (company distributions), in its application in relation to a manufactured overseas dividend as a result of section 792 or 794, has effect—
- (a) as if the manufactured overseas dividend were an overseas dividend on the overseas securities in question, and
  - (b) with the following modification.
- (2) The modification is that—
- (a) references in that Part to the payer are to be treated as references to the company that pays the dividend of which the manufactured overseas dividend is representative, and
  - (b) the definition of “the payer” in section 931T is to be treated as omitted.

## **CHAPTER 4**

### FURTHER PROVISION ABOUT MANUFACTURED PAYMENTS

#### *Manufactured payments exceeding, or less than, underlying payments*

### **796 Manufactured dividends: amounts exceeding underlying payments**

- (1) This section applies if an amount paid by way of manufactured dividend would otherwise exceed the amount of the dividend of which it is representative.
- (2) The payment, to the extent of an amount equal to the excess, is treated for the purposes of Chapter 2 and this Chapter as not made under the requirement mentioned in section 782(b) (meaning of “manufactured dividend”).
- (3) Instead it is treated, to that extent, for all purposes of the Corporation Tax Acts as a separate fee for entering into the arrangement under which it was made.

### **797 Manufactured overseas dividends: amounts exceeding underlying payments**

- (1) This section applies if the sum of—
- (a) an amount paid by way of manufactured overseas dividend, and
  - (b) the income tax required to be accounted for and paid in connection with the making of the payment,
- would otherwise exceed the gross amount of the overseas dividend of which it is representative.



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- (2) The payment, to the extent of an amount equal to the excess, is treated for the purposes of Chapter 3 and this Chapter as not made under the requirement mentioned in section 790(b) (meaning of “manufactured overseas dividend”).
- (3) Instead it is treated, to that extent, for all purposes of the Corporation Tax Acts as a separate fee for entering into the arrangement under which it was made.
- (4) But subsection (3) does not apply so far as Part 5 of CTA 2009 (loan relationships) applies to the amount as if it were interest under a loan relationship as a result of section 540 of that Act.

### **798 Manufactured overseas dividends less than underlying payments**

- (1) This section applies if the sum of—
  - (a) an amount paid by way of manufactured overseas dividend, and
  - (b) the income tax required to be accounted for and paid in connection with the making of the payment,is less than the gross amount of the overseas dividend of which it is representative.
- (2) For the purpose of giving relief under the Corporation Tax Acts in a case to which section 792 or 794 applies (manufactured overseas dividends: treatment of recipient), the gross amount of the manufactured overseas dividend is not the amount specified in section 813(2).
- (3) Instead it is treated as being an amount equal to the sum of the amounts mentioned in paragraphs (a) and (b) of subsection (1).
- (4) In this section “relief” means relief by way of—
  - (a) deduction in calculating profits or gains, or
  - (b) deduction from total profits.

*Manufactured payments under arrangements with unallowable purpose*

### **799 Manufactured payments under arrangements with unallowable purpose**

- (1) This section applies if—
  - (a) a manufactured payment falls to be made by a company in an accounting period in pursuance of any arrangements,
  - (b) the arrangements have an unallowable purpose at any time (see section 800),
  - (c) any of the manufactured payment is attributable to the unallowable purpose, and
  - (d) the company is not subject to another relevant tax relief restriction.
- (2) The company is not entitled (whether as a result of any provision made in or under this Chapter, or otherwise), to any relevant tax relief, so far as the relief is in respect of, or referable to, so much of the manufactured payment as is attributable to the unallowable purpose.
- (3) In this section “relevant tax relief” means—
  - (a) a deduction in calculating profits or gains for the purposes of corporation tax,
  - (b) a deduction from total profits,

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- (c) the bringing into account of any debit for the purposes of Part 5 of CTA 2009 (loan relationships), or
  - (d) the surrender of an amount by way of group relief.
- (4) For the purposes of this section a company is subject to another relevant tax relief restriction if it is not entitled to a relevant tax relief in respect of, or referable to, the whole or any part of the manufactured payment as a result of any of the provisions specified in subsection (5).
- (5) The provisions are—
- (a) section 76(4)(d) of ICTA (expenses of insurance companies: unallowable purposes),
  - (b) section 441 of CTA 2009 (loan relationships with unallowable purposes), and
  - (c) section 1219(2)(b) of CTA 2009 (expenses of management of company's investment business: unallowable purpose).
- (6) How far the manufactured payment is attributable to the unallowable purpose must be determined by just and reasonable apportionment.
- (7) For the meaning of “arrangements” see section 801(1).

## **800 Arrangements with an unallowable purpose**

- (1) This section applies for the purposes of section 799.
- (2) Arrangements have an unallowable purpose at any time if at that time the purposes for which the company is a party to them include a purpose that is not among the business or other commercial purposes of the company.
- (3) Arrangements also have an unallowable purpose at any time if at that time such a purpose is the only purpose, or one of the purposes, for which the company is a party to—
- (a) any related transaction, or
  - (b) any transaction in pursuance of the arrangements.
- (4) In section 799 “the unallowable purpose” in relation to any arrangements means such a purpose.
- (5) The business and other commercial purposes of a company only include the purposes of any part of its activities in respect of which it is within the charge to corporation tax.
- (6) Subsection (7) applies if a tax avoidance purpose is one of the purposes for which a company is at any time a party to—
- (a) any arrangements,
  - (b) any related transaction in the case of any arrangements, or
  - (c) any transaction in pursuance of any arrangements.
- (7) The tax avoidance purpose is taken to be a business or other commercial purpose of the company only if it is not the main purpose, or one of the main purposes, for which the company is party to the arrangements or transaction at that time.
- (8) In this section “tax avoidance purpose” means any purpose that consists in securing a tax advantage for the company in question or any other person.
- (9) Section 1139 (“tax advantage”) applies for the purposes of this section.

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(10) For the meaning of other expressions used in this section, see section 801.

### **801 Sections 799 and 800: supplementary**

- (1) For the purposes of sections 799 and 800 and this section—
  - (a) “arrangements” includes schemes, arrangements and understandings (whether or not they are legally enforceable), and
  - (b) “manufactured payment” means—
    - (i) any manufactured dividend,
    - (ii) any manufactured interest (as defined in section 539(5) of CTA 2009),
    - (iii) any manufactured overseas dividend, and
    - (iv) any payment which, as a result of section 796(3) or 797(3), constitutes a fee.
- (2) For the purposes of section 800, one or more transactions are treated as related transactions, in the case of any arrangements, if it would be reasonable to assume, from—
  - (a) the likely effect of the transactions,
  - (b) the circumstances in which the transactions are entered into or effected, or
  - (c) both that effect and those circumstances,that none of the transactions would have been entered into or effected independently of the arrangements.
- (3) Transactions may be related transactions, in the case of any arrangements, even if the transactions—
  - (a) are not between the same parties, or
  - (b) are not between the parties to the arrangements.

### *Miscellaneous*

### **802 Powers about amounts representative of overseas dividends**

- (1) The Treasury may by regulations make provision as mentioned in subsections (2) and (3) about prescribed cases where a person—
  - (a) pays or receives an amount representative of an overseas dividend, or
  - (b) is treated as doing so for any purposes of this Chapter or Chapter 3, or of regulations made under this Chapter.
- (2) The regulations may provide for removing or reducing any right of the person to claim relief under Part 2 of TIOPA 2010 (double taxation relief).
- (3) The regulations may provide for adjusting a relevant amount by reference to a provision that has effect under the law of a territory outside the United Kingdom.
- (4) A “relevant amount” is an amount which is treated for prescribed purposes of the Corporation Tax Acts as the amount paid or payable to a person in respect of a relevant transaction.
- (5) A “relevant transaction” is a sale, repurchase or other transfer of the overseas securities to which the amount mentioned in subsection (1)(a) relates.

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### **803 Power to deal with special cases**

- (1) The Treasury may by regulations make provision about—
  - (a) such manufactured dividends or manufactured overseas dividends as may be prescribed,
  - (b) such persons who receive, or become entitled to receive, manufactured dividends or manufactured overseas dividends as may be prescribed, or
  - (c) such payers of manufactured dividends or manufactured overseas dividends as may be prescribed.
- (2) The provision which may be made is for any prescribed manufactured dividend, manufactured overseas dividend or person to be treated, in prescribed circumstances, otherwise than as mentioned in any of sections 783 to 788, 791, 792, 794 and 795 (rules about manufactured dividends and manufactured overseas dividends), for any prescribed purposes of the Corporation Tax Acts.

### **804 Regulation-making powers: general**

- (1) Regulations made under Chapter 2 or this Chapter may make different provision for different cases.
- (2) In this Chapter “prescribed” means prescribed in regulations under this Chapter.

## **CHAPTER 5**

### STOCK LENDING ARRANGEMENTS AND REPOS

#### *Interpretation*

### **805 “Stock lending arrangement”**

- (1) For the purposes of this Chapter there is a stock lending arrangement in respect of securities if—
  - (a) a person (“the lender”) has transferred the securities to another person (“the borrower”) otherwise than by way of sale,
  - (b) the securities are UK shares, UK securities or overseas securities,
  - (c) the transfer is under an arrangement between the lender and the borrower, and
  - (d) under the arrangement, the borrower is required to transfer the securities back to the lender otherwise than by way of sale.
- (2) The reference in subsection (1)(d) to the transfer of the securities back to the lender includes a reference to—
  - (a) a transfer within subsection (3), and
  - (b) a payment within subsection (5).
- (3) A transfer is within this subsection if it is a transfer to the lender of securities of the same description as the securities—
  - (a) in accordance with a requirement to do so, or
  - (b) in exercise of a power to substitute securities of the same description for the securities that are required to be transferred back.

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- (4) For the purposes of subsection (3), securities are taken to be of the same description as other securities if (and only if) they—
  - (a) are in the same quantities,
  - (b) give the same rights against the same persons, and
  - (c) are of the same type and nominal value,as the other securities.
- (5) A payment is within this subsection if it is a payment to the lender, in pursuance of a redemption obligation, of an amount equal to the amount of the entitlement under the redemption obligation.
- (6) A redemption obligation is an obligation that arises on a person's becoming entitled to receive an amount in respect of the redemption of the securities.

**Modifications etc. (not altering text)**

C1 S. 805 applied (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 19 para. 32\(3\)](#)

**806 Section 805: supplementary**

- (1) In section 805 “UK securities” means securities of—
  - (a) the government of the United Kingdom,
  - (b) a local authority in the United Kingdom,
  - (c) another public authority in the United Kingdom, or
  - (d) a UK resident company or other UK resident body.
- (2) But in that section “UK securities” does not include UK shares.
- (3) In subsection (1) “securities” includes loan stock or any similar security.

**807 “Creditor repo”, “creditor quasi-repo”, “debtor repo” and “debtor quasi-repo”**

In this Chapter each of the following expressions has the same meaning as in Chapter 10 of Part 6 of CTA 2009—

- “creditor repo” (see section 543 of that Act),
- “creditor quasi-repo” (see section 544 of that Act),
- “debtor repo” (see section 548 of that Act),
- “debtor quasi-repo” (see section 549 of that Act).

*Tax credits: stock lending arrangements and repos*

**808 No tax credits for borrower under stock lending arrangement**

- (1) This section applies if—
  - (a) there is a stock lending arrangement in respect of UK shares,
  - (b) a qualifying distribution is made to the person who is the borrower under the arrangement,
  - (c) the qualifying distribution is, or is a payment representative of, a dividend in respect of the UK shares, and

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- (d) a manufactured dividend representative of the dividend is paid by the borrower in respect of any UK shares in respect of which the arrangement is made.
- (2) The borrower is not entitled to a tax credit under section 1109 (tax credits for certain recipients of exempt qualifying distributions) in respect of the distribution.

### **809 No tax credits for lender under creditor repo or creditor quasi-repo**

- (1) This section applies if—
  - (a) there is a creditor repo or creditor quasi-repo in respect of UK shares,
  - (b) a qualifying distribution is made to the lender under the repo or quasi-repo,
  - (c) the qualifying distribution is, or is a payment representative of, a dividend in respect of the UK shares, and
  - (d) a manufactured dividend representative of the dividend is paid by the lender under the repo or quasi-repo in respect of any UK shares to which the repo or quasi-repo relates.
- (2) The lender under the repo or quasi-repo is not entitled to a tax credit under section 1109 (tax credits for certain recipients of exempt qualifying distributions) in respect of the distribution.
- (3) For the purposes of this section a person is taken to have paid a manufactured dividend representative of a dividend in respect of UK shares to which a creditor repo relates if—
  - (a) the person is treated for the purposes of Chapter 9 of Part 15 of ITA 2007 (deduction of income tax at source: manufactured payments) as making a payment which is representative of the income payable on the shares, and
  - (b) the person is so treated as a result of section 925A(2) of ITA 2007 (requirements to deduct tax from manufactured payments: creditor repos).

### **810 No tax credits for borrower under debtor repo or debtor quasi-repo**

- (1) This section applies if—
  - (a) there is a debtor repo or debtor quasi-repo in respect of UK shares,
  - (b) a qualifying distribution is made,
  - (c) the qualifying distribution is a manufactured dividend paid to the borrower under the repo or quasi-repo in respect of the UK shares as a result of the repo or quasi-repo, and
  - (d) the arrangements in relation to the repo or quasi-repo are such that the actual dividend which the manufactured dividend represents is receivable by the borrower under the repo or quasi-repo.
- (2) The borrower under the repo is not entitled to a tax credit under section 1109 (tax credits for certain recipients of qualifying distributions) in respect of the distribution.

### **811 Arrangements between companies to make distributions**

- (1) This section applies if two or more companies enter into arrangements to make distributions to each other's members.

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- (2) For the purposes of sections 808 to 810 all the parties concerned (however many) may be treated as if anything done by any one of those companies had been done by any one of the others.

*Deemed manufactured payments*

**812 Deemed manufactured payments: stock lending arrangements**

- (1) This section applies if—
- (a) there is a stock lending arrangement in respect of securities,
  - (b) a dividend or interest on the securities is paid, as a result of the arrangement, to a person other than the person who is the lender under the arrangement, and
  - (c) no provision is made for securing that the lender receives payments representative of the dividend or interest.
- (2) The rules about manufactured payments apply for corporation tax purposes as if the person who is the borrower under the arrangement—
- (a) were required, under the arrangement, to pay the lender an amount representative of the dividend or interest, and
  - (b) discharged the requirement when the dividend or interest was paid.
- (3) But the borrower is not entitled (whether as a result of the rules about manufactured payments or otherwise) to—
- (a) a deduction in calculating profits or gains for corporation tax purposes, or
  - (b) a deduction from total profits,
- in respect of the deemed requirement to pay or the deemed payment.
- (4) In any case where section 792 (company receiving manufactured overseas dividend from UK resident etc) applies as a result of subsection (2), it has effect with the omission of—
- (a) paragraph (b) of subsection (3) (and the “but” immediately before that paragraph), and
  - (b) subsection (4) (and the references to that subsection in subsections (2) and (5)).
- (5) In any case where section 794 (company receiving manufactured overseas dividend from foreign payer) applies as a result of subsection (2), it has effect with the omission of—
- (a) paragraph (b) of subsection (3) (and the “but” immediately before that paragraph), and
  - (b) subsection (4) (and the references to that subsection in subsections (2) and (5)).
- (6) “The rules about manufactured payments” means—
- (a) Chapters 2 to 4 and regulations made under Chapter 2 or 4,
  - (b) sections 808 to 810, and
  - (c) Chapter 9 of Part 6 of CTA 2009 (manufactured interest etc).

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## CHAPTER 6

### INTERPRETATION OF PART

#### **813 The gross amount of a manufactured overseas dividend etc**

- (1) This section applies for the purposes of this Part.
- (2) The gross amount of a manufactured overseas dividend is an amount equal to the gross amount of the overseas dividend of which the manufactured overseas dividend is representative.
- (3) The gross amount of an overseas dividend is the sum of—
  - (a) so much of the overseas dividend as remains after the deduction of any overseas tax chargeable on it,
  - (b) the amount of any overseas tax so deducted, and
  - (c) the amount of any overseas tax credit in respect of the overseas dividend.
- (4) For the purposes of this section, a credit is an overseas tax credit if it—
  - (a) is a credit under the law of a territory outside the United Kingdom in respect of overseas tax, and
  - (b) corresponds to a tax credit.

#### **814 Other interpretation**

- (1) This section applies for the purposes of this Part.
- (2) “Overseas dividend” means any interest, dividend or other annual payment payable in respect of overseas securities.
- (3) “Overseas securities” means shares, stock or other securities issued by—
  - (a) a government, local authority or other public authority of a territory outside the United Kingdom, or
  - (b) another non-UK resident body of persons.
- (4) “Overseas tax” means tax under the law of a territory outside the United Kingdom.
- (5) “UK shares” means shares in a UK resident company.
- (6) In this section “securities” includes loan stock or any similar security.



**Status:**

Point in time view as at 19/07/2011.

**Changes to legislation:**

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