



Corporation Tax Act 2010

2010 CHAPTER 4

PART 17

MANUFACTURED PAYMENTS AND REPOS

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).

Status: This is the original version (as it was originally enacted).

- (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
 - (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.

Status: This is the original version (as it was originally enacted).

- (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).
- (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—

Status: This is the original version (as it was originally enacted).

- (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—
 - (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.