



Corporation Tax Act 2010

2010 CHAPTER 4

PART 17

MANUFACTURED PAYMENTS AND REPOS

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.

Status: This is the original version (as it was originally enacted).

- (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.

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
 - (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.
- (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.

Status: This is the original version (as it was originally enacted).

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).