



Corporation Tax Act 2010

2010 CHAPTER 4

[^{F1}PART 17A U.K.]

MANUFACTURED DIVIDENDS

Textual Amendments

- F1** Pt. 17A inserted (with effect in accordance with Sch. 29 para. 51 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 29 para. 2](#)

814A Overview of Part **U.K.**

This Part deals with the application of the Corporation Tax Acts to manufactured dividend relationships and payments representative of dividends.

814B Key definitions **U.K.**

- (1) For the purposes of the Corporation Tax Acts a company has a manufactured dividend relationship if conditions A to C are met.
- (2) Condition A is that under any arrangements—
 - (a) an amount is payable by or to the company, or
 - (b) any other benefit is given by or to the company (including the release of the whole or part of any liability to pay an amount).
- (3) Condition B is that the arrangements relate to the transfer of shares in a company.
- (4) Condition C is that the amount or value of the other benefit—
 - (a) is representative of a dividend on the shares, or
 - (b) will fall to be treated as representative of such a dividend when it is paid or given.

Status: Point in time view as at 01/04/2019.

Changes to legislation: Corporation Tax Act 2010, PART 17A is up to date with all changes known to be in force on or before 19 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (5) In subsection (2) the reference to an amount being payable, or other benefit being given, by the company includes a reference to an amount being payable, or other benefit being given, by another person on behalf of the company.
- (6) In this Part—
 “manufactured dividend”, in relation to a manufactured dividend relationship, means an amount, or the value of a benefit, within subsection (2),
 and
 “the real dividend” means the dividend mentioned in subsection (4)(a).

814C Treatment of payer of manufactured dividend U.K.

- (1) This section applies where a company has a manufactured dividend relationship under which a manufactured dividend is paid by or on behalf of the company.
- (2) No deduction in calculating income for corporation tax purposes is allowed in respect of the manufactured dividend (subject to subsections (3) to (7)).
- (3) Subsection (2) does not apply in relation to the company so far as the manufactured dividend is brought into account under Part 3 of CTA 2009 in calculating the profits of a trade carried on by the company.
- (4) Subsection (5) applies if—
 (a) the manufactured dividend relates to investment business which the company has,
 (b) the company received the real dividend in the accounting period, and
 (c) the real dividend is taxed by virtue of section 548(5) (recipients of distributions from REITs).
- (5) The manufactured dividend is to be treated as expenses of management of the company's investment business for the accounting period for the purposes of Chapter 2 of Part 16 of CTA 2009.
- (6) Subsection (7) applies if—
 (a) the manufactured dividend is referable to basic life assurance and general annuity business which the company has,
 (b) the company received the real dividend in the accounting period, and
 (c) the real dividend is taxed by virtue of section 548(5) (recipients of distributions from REITs).
- (7) So far as the manufactured dividend is referable as mentioned in subsection (6)(a), the manufactured dividend is to be treated for the purposes of section 76 of FA 2012 as a deemed BLAGAB management expense for the accounting period.
- (8) Nothing in subsection (3) affects the question whether (apart from that provision) a deduction in calculating the profits of a trade carried on by the company is allowed.
- (9) The references in subsections (4) and (6) to the real dividend include references to a manufactured dividend which is treated as a real dividend by virtue of section 814D(2).
- (10) For the purposes of subsections (6) and (7), the manufactured dividend is treated as referable to basic life assurance and general annuity business so far as the real dividend is received by the company and is so referable in accordance with Chapter 4 of Part 2 of FA 2012 (apportionment rules for I-E charge).

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814D Treatment of recipient of manufactured dividend **U.K.**

- (1) Subsection (2) applies if a company has a manufactured dividend relationship under which a manufactured dividend is payable to it.
- (2) For the purposes of the charge to corporation tax on the income of the company, the Corporation Tax Acts apply to the company, and any company claiming title through or under the company, as if the manufactured dividend were a dividend on the shares.
- (3) Subsection (2) is subject to subsections (4) to (8).
- (4) Subsection (2) does not apply in relation to a company so far as the manufactured dividend is brought into account under Part 3 of CTA 2009 in calculating the profits of a trade carried on by the company.
- (5) Subsection (2) does not apply in relation to a company for the purposes of determining entitlement to double taxation relief in respect of any dividend.
- (6) Part 9A of CTA 2009 (company distributions), in its application in relation to a manufactured dividend as a result of subsection (2), has effect with the modification in subsection (7).
- (7) The modification is that—
 - (a) references in that Part to the payer are to be treated as references to the company that pays the real dividend, and
 - (b) the definition of “the payer” in section 931T is to be treated as omitted.
- (8) The company to which the manufactured dividend is payable is not entitled to a tax credit under section 1109 (tax credits for certain recipients of exempt qualifying distributions) in respect of the dividend.
- (9) For the purposes of subsection (5) “double taxation relief” means any relief given under or as a result of Part 2 of TIOPA 2010.
- (10) This section has effect regardless of section 358 of CTA 2009 (exclusion of credits on release of connected companies debts) or any other provision of Part 5 of that Act (loan relationships) which prevents a credit from being brought into account.]

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