



Finance Act 2002

2002 CHAPTER 23

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

OTHER PROVISIONS

Miscellaneous

108 Manufactured dividends and interest

- (1) Schedule 23A to the Taxes Act 1988 (manufactured dividends and interest) is amended as follows.
- (2) In paragraph 2A (manufactured dividends on UK equities: deductibility of manufactured payment in case of manufacturer) at the end of sub-paragraph (1) (amount paid to be deductible against total income) insert “ , subject to sub-paragraph (1A) below ”.
- (3) After that sub-paragraph insert—
 - “(1A) An amount shall be allowable under sub-paragraph (1) above as a deduction against total income only to the extent that—
 - (a) the dividend manufacturer receives the dividend on the equities which is represented by the manufactured dividend, or receives a payment which is representative of that dividend, and is chargeable to income tax on the dividend or other payment so received;
 - (b) the dividend manufacturer is treated under section 730A (repos) as receiving a payment of interest in respect of the equities and is chargeable to income tax on that payment; or

Status: Point in time view as at 24/07/2002. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Section 108. (See end of Document for details)

- (c) a chargeable gain accrues to the dividend manufacturer as a result of a transaction whose nature is such as to give rise to the payment of a manufactured dividend by him,
- but the amount allowable by virtue of paragraph (c) above is limited to so much of the chargeable gain as does not exceed the manufactured dividend paid as a result of the transaction.
- (1B) Where an amount is allowable under sub-paragraph (1) above by reference to the whole or any part of—
- (a) a dividend or other payment falling within paragraph (a) of sub-paragraph (1A) above,
 - (b) a payment of interest which a person is treated as receiving, as mentioned in paragraph (b) of that sub-paragraph, or
 - (c) a chargeable gain falling within paragraph (c) of that sub-paragraph, (the “utilised portion” of the dividend, other payment or chargeable gain) no other amount shall be allowable under sub-paragraph (1) above by reference to all or any of the utilised portion of the dividend, other payment or chargeable gain.”.
- (4) In paragraph 3 (manufactured interest on UK securities) in sub-paragraph (2) (tax treatment of interest manufacturer) in paragraph (c) (amount allowable as a deduction) at the end add “, but only to the extent that—
- (i) it would be so allowable if it were interest, or
 - (ii) so far as not falling within sub-paragraph (i) above, it falls within sub-paragraph (2A) below”.
- (5) After that sub-paragraph insert—
- “(2A) An amount of manufactured interest falls within this sub-paragraph if and to the extent that the interest manufacturer—
- (a) receives the periodical payment of interest on the securities which is represented by the manufactured interest, or receives a payment which is representative of that periodical payment of interest, and is chargeable to income tax on the periodical payment or representative payment so received;
 - (b) is treated under section 713(2)(a) or (3)(b) (accrued income scheme) as entitled to a sum in respect of a transfer of the securities and is chargeable to income tax on that sum; or
 - (c) is treated under section 730A (repos) as receiving a payment of interest in respect of the securities and is chargeable to income tax on that payment.
- (2B) Where an amount is allowable under sub-paragraph (2)(c) above by reference to the whole or any part of—
- (a) a periodical payment of interest, or a payment representative of such a payment, falling within paragraph (a) of sub-paragraph (2A) above,
 - (b) a sum falling within paragraph (b) of that sub-paragraph, or
 - (c) a payment of interest which a person is treated as receiving, as mentioned in paragraph (c) of that sub-paragraph,
- (the “utilised portion” of the interest, sum or other payment) no other amount shall be allowable under sub-paragraph (2)(c) above by reference to all or any of the utilised portion of the interest, sum or other payment.”.

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- (6) The amendments made by subsections (2) and (3) have effect in relation to manufactured dividends paid on or after 17th April 2002.
- (7) The amendments made by subsections (4) and (5) have effect in relation to manufactured interest paid on or after 17th April 2002.

Status:

Point in time view as at 24/07/2002. This version of this provision has been superseded.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2002, Section 108.