



Income Tax Act 2007

2007 CHAPTER 3

PART 11

MANUFACTURED PAYMENTS AND REPOS

CHAPTER 2

MANUFACTURED PAYMENTS

Manufactured dividends on UK shares

573 Manufactured dividends on UK shares

- (1) This section applies if a person—
 - (a) pays another person an amount (a “manufactured dividend”) which is representative of a dividend on UK shares, and
 - (b) does so under a requirement of an arrangement between them for the transfer of the shares.
- (2) The Income Tax Acts apply in relation to the recipient, and persons claiming title through or under the recipient, as if the manufactured dividend were a dividend on the shares.
- (3) If the payer is a UK resident company, the Income Tax Acts apply in relation to the payer as if the manufactured dividend were a dividend of the company.
- (4) If the payer is UK resident and is not a company, the Income Tax Acts apply in relation to the payer subject to [F1section 574] (allowable deductions).
- (5) This section is subject to—
 - (a) section 576 (manufactured dividends on UK shares: Real Estate Investment Trusts),
 - (b) section 583 (manufactured payments exceeding underlying payments), and

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(c) section 585 (power to deal with other special cases).

Textual Amendments

F1 Words in s. 573(4) substituted (21.7.2008 with effect in accordance with s. 63(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 23 para. 3](#)

574 Allowable deductions^{F2} ...

(1) This section applies if a person who pays a manufactured dividend as mentioned in section 573(1) is UK resident and is not a company.

(2) An amount equal to the lesser of—

- (a) the amount of the manufactured dividend, and
- (b) the amount of the dividend of which the manufactured dividend is representative,

is allowable [^{F3}for income tax purposes as a deduction in calculating the net income of the payer (see Step 2 of the calculation in section 23). This is subject to subsection (3).]

[^{F4}(3) It is—

- (a) deductible by virtue of subsection (2) only so far as it is not otherwise deductible and so far as section 263D of TCGA 1992 does not apply, and
- (b) not deductible (whether by virtue of subsection (2) or otherwise) if it (or any part of it) is made directly or indirectly in consequence of, or otherwise in connection with, avoidance arrangements.]

(10) For the purposes of subsection (3)(a) an amount is [^{F5}otherwise deductible if, apart from this section,] it is—

- (a) deductible in calculating any of the payer's profits or gains for income tax purposes, or
- (b) deductible for those purposes in calculating the net income of the payer.

Textual Amendments

F2 Word in s. 574 heading omitted (21.7.2008 with effect in accordance with s. 63(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 23 para. 4\(5\)](#)

F3 Words in s. 574(2) substituted (21.7.2008 with effect in accordance with s. 63(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 23 para. 4\(2\)](#)

F4 S. 574(3) substituted (21.7.2008 with effect in accordance with s. 63(2) of the amending Act) for s. 574(3)-(9) by [Finance Act 2008 \(c. 9\)](#), [Sch. 23 para. 4\(3\)](#)

F5 Words in s. 574(10) substituted (21.7.2008 with effect in accordance with s. 63(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 23 para. 4\(4\)](#)

^{F6}575 Allowable deductions: restriction on double-counting

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Textual Amendments

- F6** S. 575 omitted (21.7.2008 with effect in accordance with s. 63(2) of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 23 para. 5**

576 Manufactured dividends on UK shares: Real Estate Investment Trusts

- (1) This section applies (instead of section 573(2) and (3)) if—
- (a) a person pays a manufactured dividend as mentioned in section 573(1), and
 - (b) the manufactured dividend is representative of a dividend which is—
 - [^{F7}(i) paid by a company UK REIT in respect of profits or gains (or both) of the company’s property rental business, or
 - (ii) 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) of CTA 2010 (statement of group’s property rental business in UK).]
- (2) This section applies only so far as the manufactured dividend is representative of such a dividend.
- (3) The Income Tax Acts apply in relation to the recipient, and persons claiming title through or under the recipient, as if the manufactured dividend were a dividend to which [^{F8}section 548 of CTA 2010] applied (distributions treated as UK property business profits).
- (4) This section is subject to—
- (a) section 583 (manufactured payments exceeding underlying payments), and
 - (b) section 585 (power to deal with other special cases).
- [^{F9}(5) In subsection (1) “gains” includes chargeable gains.]

Textual Amendments

- F7** S. 576(1)(b)(i)(ii) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 537(a)** (with Sch. 2)
- F8** Words in s. 576(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 537(b)** (with Sch. 2)
- F9** S. 576(5) inserted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 537(c)** (with Sch. 2)

577 Statements about manufactured dividends

- (1) Subsections (3) to (7) apply to a person who—
- (a) pays a manufactured dividend as mentioned in section 573(1), and
 - (b) is not within the charge to corporation tax.
- (2) But those subsections do not apply so far as the manufactured dividend is representative of a dividend which is—
- [^{F10}(a) paid by a company UK REIT in respect of profits or gains (or both) of the company’s property rental business, or

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- (b) 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) of CTA 2010 (statement of group’s property rental business in UK).]

[^{F11}(2A) In subsection (2) “gains” includes chargeable gains.]

- (3) The person 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,
 - (b) the date of its 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 573(2) of this Act or [^{F12}section 784(1) of CTA 2010] (manufactured dividend treated as dividend), 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.
- (8) For provisions corresponding to subsections (3) to (7) which apply if the payer of a manufactured dividend is within the charge to corporation tax see—
- (a) ^{F13}.....
 - (b) [^{F14}section 788 of CTA 2010], if the payer is a non-UK resident company within the charge to corporation tax.
- (9) For a power for regulations to make provision corresponding to subsections (3) to (7) for a case within subsection (2), see section 973 as applied by section 918(3) (and in particular section 974(1)(k)).

Textual Amendments

- F10** S. 577(2)(a)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 538\(2\)](#) (with Sch. 2)
- F11** S. 577(2A) inserted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 538\(3\)](#) (with Sch. 2)
- F12** Words in s. 577(6)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 538\(4\)](#) (with Sch. 2)
- F13** S. 577(8)(a) repealed (31.1.2013) by [Statute Law \(Repeals\) Act 2013 \(c. 2\), s. 3\(2\), Sch. 1 Pt. 10](#) Group 1
- F14** Words in s. 577(8)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 538\(5\)](#) (with Sch. 2)

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