



Income Tax Act 2007

2007 CHAPTER 3

PART 15

DEDUCTION OF INCOME TAX AT SOURCE

CHAPTER 9

MANUFACTURED PAYMENTS

Manufactured dividends

918 Manufactured dividends on UK shares: Real Estate Investment Trusts

- (1) This section applies 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—
 - (i) paid by a company to which Part 4 of FA 2006 applies (Real Estate Investment Trusts) in respect of profits of C (tax-exempt), or
 - (ii) paid by the principal company of a group to which that Part applies in respect of profits of G (property rental business).
- (2) This section applies only so far as the manufactured dividend is representative of such a dividend.
- (3) If the payer—
- (a) is UK resident, or
 - (b) pays the manufactured dividend in the course of a trade carried on through a branch or agency in the United Kingdom,
- regulations under section 973 apply to the payer as they apply to a company to which Part 4 of FA 2006 applies, with any necessary modifications.
- (4) The Treasury may by regulations provide, in a case where the payer—

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- (a) is non-UK resident, and
 - (b) pays the manufactured dividend otherwise than in the course of a trade carried on through a branch or agency in the United Kingdom,
- for a United Kingdom recipient of the manufactured dividend to be liable to account for and pay income tax in respect of it.
- (5) A United Kingdom recipient is a recipient who—
- (a) is UK resident, or
 - (b) is non-UK resident but receives the manufactured dividend for the purposes of a trade carried on by the recipient through a branch or agency in the United Kingdom.
- (6) The amount of income tax which the recipient may be liable to account for and pay under regulations under subsection (4) is equal to the amount of the sum representing income tax which the payer would have been required to deduct in accordance with regulations under section 973.
- (7) For the purposes of—
- (a) regulations under section 973 as applied by subsection (3), and
 - (b) regulations under subsection (4),
- the “gross amount” of a manufactured dividend to which this section applies is equal to the gross amount of the dividend of which it is representative.

Manufactured interest

919 Manufactured interest on UK securities: payments by UK residents etc

- (1) This section applies if a person who pays manufactured interest as mentioned in section 578(1)—
- (a) is UK resident, or
 - (b) pays the manufactured interest in the course of a trade carried on in the United Kingdom through a branch or agency.
- (2) The payer of the manufactured interest must, on making the payment, deduct from the gross amount of the manufactured interest a sum representing income tax on it at the savings rate in force for the tax year in which the payment is made.
- (3) The “gross amount” of manufactured interest is equal to the gross amount of the interest of which it is representative.
- (4) This section is subject (in particular) to—
- section 583 (manufactured payments exceeding underlying payments),
 - section 585 (manufactured payments: power to deal with special cases),
 - section 921 (cases where interest on underlying securities paid gross), and
 - Chapter 11 (payments between companies etc: exception from duties to deduct).
- (5) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—
- (a) see Chapter 15 if the payer of the manufactured interest is a company, and
 - (b) otherwise see Chapter 16.

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920 Foreign payers of manufactured interest: the reverse charge

- (1) This section applies if a person who pays manufactured interest as mentioned in section 578(1)—
 - (a) is non-UK resident, and
 - (b) pays the manufactured interest otherwise than in the course of a trade carried on in the United Kingdom through a branch or agency.
- (2) The recipient must account for and pay income tax in respect of the manufactured interest if the recipient—
 - (a) is UK resident, or
 - (b) is non-UK resident but receives the manufactured interest for the purposes of a trade carried on by the recipient in the United Kingdom through a branch or agency.
- (3) The amount of income tax to be accounted for and paid is equal to the amount of the sum representing income tax which the payer would have been required to deduct under section 919(2) if the payer had been UK resident.
- (4) If the payer would not have been required to deduct any sum under section 919(2), the recipient is not required to account for and pay any income tax under this section.
- (5) For examples of cases in which subsection (4) applies see (in particular)—
section 921 (cases where interest on underlying securities paid gross), and
Chapter 11 (payments between companies etc: exception from duties to deduct).
- (6) This section is subject to—
section 583 (manufactured payments exceeding underlying payments), and
section 585 (manufactured payments: power to deal with special cases).
- (7) Provision about the collection of income tax required to be accounted for and paid under this section may be included in regulations under section 586.

921 Cases where interest on underlying securities paid gross

- (1) This section applies to manufactured interest which is representative of interest on—
 - (a) gilt-edged securities, or
 - (b) securities which are not gilt-edged securities but on which the interest is payable without deduction of income tax.
- (2) Section 919(2) does not require any deduction of a sum representing income tax to be made on the payment of the manufactured interest.
- (3) In this section “securities” includes loan stock or any similar security.

Manufactured overseas dividends

922 Manufactured overseas dividends: payments by UK residents etc

- (1) This section applies if a person who pays a manufactured overseas dividend as mentioned in section 581(1)—
 - (a) is UK resident, or

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- (b) pays the manufactured overseas dividend in the course of a trade carried on through a branch or agency in the United Kingdom.
- (2) The payer of the manufactured overseas dividend must, on making the payment, deduct from the gross amount of the manufactured overseas dividend a sum representing income tax equal to the relevant withholding tax on the gross amount.
- (3) This section is subject (in particular) to—
 - section 583 (manufactured payments exceeding underlying payments), and
 - section 585 (manufactured payments: power to deal with special cases).
- (4) Provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section may be included in regulations under section 586 or 925.

923 Foreign payers of manufactured overseas dividends: the reverse charge

- (1) This section applies if a person who pays a manufactured overseas dividend as mentioned in section 581(1)—
 - (a) is non-UK resident, and
 - (b) pays the manufactured overseas dividend otherwise than in the course of a trade carried on through a branch or agency in the United Kingdom.
- (2) The recipient must account for and pay income tax in respect of the manufactured overseas dividend if the recipient—
 - (a) is UK resident, or
 - (b) is non-UK resident but receives the manufactured overseas dividend for the purposes of a trade carried on by the recipient through a branch or agency in the United Kingdom.
- (3) The amount of income tax to be accounted for and paid is equal to the amount of the sum representing income tax which the payer would have been required to deduct under section 922(2) if the payer had been UK resident.
- (4) If the payer would not have been required to deduct any sum under section 922(2), the recipient is not required to account for and pay any income tax under this section.
- (5) This section is subject to—
 - section 583 (manufactured payments exceeding underlying payments),
 - section 585 (manufactured payments: power to deal with special cases), and
 - section 924 (power to reduce liability under this section).
- (6) Provision about the collection of income tax required to be accounted for and paid under this section may be included in regulations under section 586.

924 Power to reduce section 923 liability

- (1) The Treasury may by regulations provide for a reduction in the amount of tax to be accounted for and paid as a result of section 923.
- (2) The reduction must be a reduction, to such extent and for such purposes as may be determined under the regulations, by reference to amounts of overseas tax charged on, or in respect of—
 - (a) the making of the manufactured overseas dividend, or

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- (b) the overseas dividend of which the manufactured overseas dividend is representative.

925 Power to provide set-off entitlement

- (1) The Treasury may by regulations provide for a person who, in any prescribed period, pays a manufactured overseas dividend as mentioned in section 581(1) to be entitled—
 - (a) to set off relevant amounts of tax suffered against relevant tax liabilities, and
 - (b) to account to the Commissioners for Her Majesty's Revenue and Customs for the balance or claim credit in respect of it.
- (2) Regulations under this section may—
 - (a) prescribe the circumstances in which relevant amounts of tax suffered may be set off against relevant tax liabilities, and
 - (b) provide for relevant amounts of tax suffered to be set off against relevant tax liabilities in accordance with the regulations and so far as prescribed.
- (3) “Relevant amounts of tax suffered” are—
 - (a) amounts of overseas tax in respect of overseas dividends received by the person in the prescribed period,
 - (b) amounts of overseas tax charged on, or in respect of, the making of manufactured overseas dividends received by the person in the prescribed period, and
 - (c) amounts—
 - (i) deducted as a result of section 922, or
 - (ii) accounted for and paid as a result of section 923,from any manufactured overseas dividends received by the person in the prescribed period.
- (4) “Relevant tax liabilities” are sums due from the person on account of the amounts deducted by the person as a result of section 922 from the manufactured overseas dividends paid by the person in the prescribed period.
- (5) In this section—
 - “credit” includes credit against corporation tax, and
 - “prescribed” means prescribed in regulations under this section.

Supplementary

926 Interpretation of Chapter

- (1) Expressions (except “prescribed”) used in this Chapter and in Chapter 2 of Part 11 (manufactured payments) have the same meaning in this Chapter as in that Chapter.
- (2) References in this Chapter to a trade carried on through a branch or agency are to be read, in relation to a company, as references to a trade carried on through a permanent establishment.

927 Regulation-making powers: general

Regulations under this Chapter may make different provision for different cases.

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