



Income Tax Act 2007

2007 CHAPTER 3

PART 11

MANUFACTURED PAYMENTS AND REPOS

CHAPTER 4

DEEMED MANUFACTURED PAYMENTS

Stock lending arrangements

597 Deemed interest: cash collateral under stock lending arrangements

- (1) This section applies if—
- (a) the borrower under a stock lending arrangement is treated under section 596(2) as paying under the arrangement an amount representative of a dividend or interest on any securities (“the relevant securities”),
 - (b) an amount of money (“cash collateral”) is payable to or for the benefit of the lender for the purpose of securing the discharge of the requirement to transfer the relevant securities back to the lender,
 - (c) the stock lending arrangement is designed to produce a return to the borrower which equates, in substance, to the return on an investment of money at interest, and
 - (d) the main purpose, or one of the main purposes, of the stock lending arrangement is the obtaining of a tax advantage (within the meaning given by ^[F1]section 1139 of CTA 2010).
- (2) If this section applies—
- (a) the Income Tax Acts apply as if the borrower receives an amount of interest payable in respect of the cash collateral, and
 - (b) the amount of the interest is calculated in accordance with subsections (3) to (7).

Status: Point in time view as at 01/04/2010. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Section 597. (See end of Document for details)

- (3) The interest is treated for the purposes of the Income Tax Acts as if it were received on the date (“the return date”) on which the borrower transfers the relevant securities back to the lender.
- (4) The interest is treated for the purposes of the Income Tax Acts as if it were payable in respect of the period (“the interest period”)—
 - (a) beginning with the date on which the lender transfers the relevant securities to the borrower, and
 - (b) ending with the return date.
- (5) The rate of interest payable in respect of the cash collateral is a rate that is reasonably comparable to the rate that the borrower could obtain by placing the cash collateral on deposit for the interest period.
- (6) For the purposes of this section, the amount of the cash collateral on which the interest is payable is taken to be—
 - (a) in any case where the amount of the cash collateral varies at any time on or before the return date, the highest amount of the cash collateral at any time on or before the return date, and
 - (b) in any other case, the amount of the cash collateral as at the return date.
- (7) The amount of the interest which the borrower is treated as receiving in respect of the cash collateral for the interest period is reduced (but not below nil) by any interest which the borrower actually receives in respect of that collateral for that period.
- (8) This section needs to be read with sections 598 and 599.

Textual Amendments

- F1** Words in s. 597(1)(d) 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. 540](#) (with [Sch. 2](#))

Status:

Point in time view as at 01/04/2010. This version of this provision has been superseded.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax Act 2007, Section 597.