
STATUTORY INSTRUMENTS

1992 No. 569

The Income Tax (Dividend Manufacturing) Regulations 1992

PART III

MODIFICATIONS OF SECTION 737

Interpretation of Part III

11. In this part of these Regulations—

“dividend manufacturer” and “manufactured dividend” shall be construed in accordance with subsection (1) of section 737(1);

“manufactured overseas dividend” shall be construed in accordance with paragraph 4 of Schedule 23A;

“overseas dividend” has the meaning given in sub-paragraph (1) of paragraph 1 of Schedule 23A;

“relief” shall be construed in accordance with subsection (5A) of section 737(2);

“subsection (7A)” and “subsection (7B)” mean subsections (7A) and (7B) respectively of section 737.

Prescribed persons for the purposes of subsection (7A)

12. For the purposes of paragraph (b) of subsection (7A) this regulation prescribes—

(a) a member who buys and sells options to buy or sell quoted United Kingdom equities as a class or description of member;

(b) LIFFE (A & M) as a recognised investment exchange;

(c) a market maker as defined in sub-paragraph (1) of paragraph 1 of Schedule 23A as a class or description of member; and

(d) the London Stock Exchange as a recognised investment exchange.

Modifications of section 737(1)

13.—(1) Paragraph (2) prescribes, for the purposes of subsections (7A) and (7B), the modifications with which subsection (1) of section 737 shall apply in the cases specified in paragraphs (3) and (4).

(2) The prescribed modifications to subsection (1) of section 737 are that—

(a) the charge to tax under subsection (1) of section 737 shall only apply to the extent that the manufactured dividends (other than manufactured overseas dividends) paid

(1) 1970 c. 9.

(2) Subsection (1) was substituted by section 58(2) of, and paragraph 3(2) of Schedule 13 to, the Finance Act 1991. Subsection (5A) was inserted by section 58(2) of, and paragraph 3(5) of Schedule 13 to, the Finance Act 1991.

exceed dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received;

- (b) the dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received shall not be treated as the income of the dividend manufacturer to the extent that they do not exceed dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) paid;
- (c) to the extent that manufactured dividends (other than manufactured overseas dividends) paid do not exceed dividends (other than overseas dividends) and manufactured dividends (other than manufactured overseas dividends) received, they shall not qualify for relief in the hands of the dividend manufacturer; and
- (d) section 350(1) of, and Schedule 16 to, the Taxes Act, shall not apply.

(3) The cases specified in this paragraph are where the dividend manufacturer is a person prescribed under regulation 12(a) or (c) above.

(4) The cases specified in this paragraph are where the manufactured dividend is not an unapproved manufactured payment within the meaning of sub-paragraph (1) of paragraph 1 of Schedule 23A, and Part II of these Regulations.

Modifications of section 737(5A)

14.—(1) In the cases specified in paragraph (3), paragraph (2) prescribes, for the purposes of subsections (7A) and (7B), the modifications for subsection (5A) of section 737 to apply.

(2) The prescribed modifications to subsection (5A) of section 737 are that relief by way of deduction in computing profits or gains shall not be given to any person under any provision of the Tax Acts in respect of the net amount of the manufactured dividend or in respect of any amount which that person is required to deduct from the manufactured dividend on account of income tax.

(3) The cases specified in this paragraph are where—

- (a) the manufactured dividend is an unapproved manufactured payment within the meaning of sub-paragraph (1) of paragraph 1 of Schedule 23A and Part II of these Regulations; and
- (b) the manufactured dividend is paid by a member of the London Stock Exchange or by a member of LIFFE.