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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Income Tax (Manufactured Overseas Dividends) Regulations 1993 (S.I.1993/2004) (“the principal Regulations”).

Regulation 1 provides for citation and commencement, and regulation 2 contains definitions.

Regulations 3 and 4 substitute a new definition of “chargeable period” by way of clarification of the previous definition.

Regulation 5 makes two amendments to regulation 9 of the principal Regulations. The first amendment secures that offsetting of tax payable by overseas dividend manufacturers against tax in respect of overseas dividends received by them is only possible where the overseas dividends received constitute income of the overseas dividend manufacturer, and not income of another person. The second amendment provides that double taxation relief may not be claimed by an overseas dividend manufacturer where under regulation 10 of the principal Regulations overseas dividends or manufactured overseas dividends received by him are matched against manufactured overseas dividends paid by him or, except to the extent of any excess credit balance which results, where there is offsetting of tax under regulation 9 of the principal Regulations.

Regulation 6 makes two amendments to regulation 10(1)(a) of the principal Regulations which relates to the order of priority in which overseas dividends and manufactured overseas dividends received by an overseas dividend manufacturer in any chargeable period fall to be matched against manufactured overseas dividends paid by him in that period. The first amendment extends the scope of paragraph (i) of regulation 10(1)(a)— the first item in the order of priority— so as to comprise all manufactured overseas dividends received by the overseas dividend manufacturer without deduction of tax other than manufactured overseas dividends in respect of which he is liable to account for tax. The second amendment is by way of a drafting amendment to paragraph (iii) of regulation 10(1)(a).