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## EXPLANATORY NOTE

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

These Regulations make provision in relation to payments of manufactured dividends in respect of the shares of companies resident in the United Kingdom (“United Kingdom equities”), where the payments are made by persons acting in a clearing capacity for transactions on the newly established Exchange known as Tradepoint (“clearing participants”). The Regulations prescribe the circumstances in which such payments rank as approved manufactured payments for the purposes of Schedule 23A to the Income and Corporation Taxes Act 1988 (Manufactured Dividends and Interest) (“Schedule 23A” and “the 1988 Act” respectively). They also limit the amount of tax to be accounted for in respect of such payments when made by clearing participants who are not United Kingdom resident companies, and make provision for returns and accounting for tax by such persons.

The Regulations are in a number of Parts, of which Part I is introductory. Regulation 1 provides for citation and commencement, and regulation 2 contains definitions.

Part II of the Regulations prescribes persons and circumstances for the purposes of the definition of “unapproved manufactured payment” in paragraph 1(1) of Schedule 23A. Regulation 3 contains definitions for the purposes of this Part. Regulations 4 and 5 prescribe clearing participants of Tradepoint and The London Clearing House Limited and the circumstances in which manufactured dividends paid by those persons rank as approved manufactured payments. Approved manufactured payments made by United Kingdom resident companies qualify for relief in respect of advance corporation tax.

Part III of the Regulations modifies section 737 of the 1988 Act which makes provision for payments of manufactured dividends by clearing participants who are not United Kingdom resident companies to be treated for the purposes of collection of income tax as if they were annual payments made after deduction of tax. Regulation 6 contains definitions for the purposes of this Part. Regulation 7 prescribes clearing participants as dividend manufacturers in relation to whom the modifications made by regulations 8 to 10 to section 737 and other provisions of the Tax Acts apply. Regulation 8 limits the amount on which tax is accountable under section 737 in respect of payments made by clearing participants. Regulation 9 extends the prohibition of tax relief in subsection (5A) of section 737 so as to deny any relief where an unapproved payment is made by clearing participants. Regulation 10 modifies the provisions of the Tax Acts relating to the charge to tax under Schedule D in a case where regulation 8 applies so as to limit the amount chargeable to tax in respect of dividends and manufactured dividends received by clearing participants and the amount qualifying for relief in respect of approved manufactured dividends paid by such persons.

Part IV of the Regulations contains administrative provisions relating to section 737 of the 1988 Act. Regulation 11 contains definitions used in this Part.

Regulation 12 makes provision for accounting for tax in respect of manufactured dividends paid by clearing participants.

Regulation 13 makes provision for the furnishing of information to the Board of Inland Revenue by clearing participants.