
EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 82(2) of the Finance Act 1995 inserts in Schedule 23A to the Income and Corporation Taxes Act 1988 (“Schedule 23A”) a new paragraph (“3A”) which provides that, with effect from a day to be appointed by the Treasury, manufactured interest on gilt-edged securities shall be paid without deduction of tax. The appointed day is 2nd January 1996 (S.I. 1995/2933 (C.63)).

These Regulations, which come into force on 2nd January 1996, make various amendments to the Income Tax (Manufactured Interest) Regulations 1992 (S.I. 1992/2074) (“the principal Regulations”) in anticipation of the gross payment of manufactured gilt interest from that date.

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

Regulation 3 amends regulation 2 of the principal Regulations by providing a definition of “gilt-edged securities” and amending the definition of “unapproved manufactured payment” in the light of the amendment made by regulation 4 of these Regulations.

Regulation 4 inserts a new regulation 2A in the principal Regulations which amends the definition of “unapproved manufactured payment” in paragraph 1(1) of Schedule 23A so as to omit manufactured gilt interest.

Regulations 5 and 6 omit regulations 3(a) and 5 respectively of the principal regulations which provide for the gross payment of certain manufactured interest. In practice the provision made by these two regulations had been applied only in relation to manufactured gilt interest, so that with effect from 2nd January 1996 the provision is no longer needed.

Regulation 7 amends the definition of “qualifying person” in regulation 6 of the principal Regulations so as to exclude from the scope of section 21 of the Taxes Management Act 1970 (information powers in respect of transactions of brokers and market makers) companies for whom approved manufactured payments of gilt interest are the only approved manufactured payments that they can make.

Regulation 8 amends regulation 8 of the principal Regulations in consequence of the omission of regulation 5 of the principal Regulations.