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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”). The amendments fall into three categories. First, they disapply the requirement to deduct tax from manufactured overseas dividends on overseas bonds, that is, overseas securities that represent a loan relationship within the meaning of Chapter II of Part IV of the Finance Act 1996. Secondly they apply the collecting agent provisions in Chapter VIIA of Part VI of the Income and Corporation Taxes Act 1988 (“the Taxes Act”) to manufactured overseas dividends that are representative of foreign dividends. Thirdly, they make a number of changes to the provisions of the principal regulations governing the tax treatment of manufactured overseas dividends on overseas equities.

Regulation 1 provides for citation and commencement and regulation 2 for interpretation.

Regulations 3 to 14 amend the principal Regulations.

Regulation 3 amends an existing definition and inserts a new definition (“collecting agent”) in regulation 2 of the principal Regulations, and further amends that regulation so as to provide that regulations 3 to 11, 14 and 15 of the principal Regulations relate only to manufactured overseas dividends on overseas equities.

Regulation 4 inserts a new regulation 2B governing the tax treatment of manufactured overseas dividends on overseas bonds.

Regulation 5 amends regulation 4(4) of the principal Regulations so as to except from the requirement to account for tax under that regulation a case where an approved United Kingdom intermediary is required to pay a manufactured overseas dividend to a non-resident beneficiary in circumstances where the rate of withholding tax that applies is that of the territory where that beneficiary is resident.

Regulation 6 amends regulation 5 of the principal Regulations so as to except from the requirement to deduct tax under paragraph 4(2) of Schedule 23A to the Taxes Act (“Schedule 23A”) a payment of a manufactured overseas dividend by an approved United Kingdom intermediary made as part of a chain of payments by approved United Kingdom intermediaries representative of the same overseas dividend, where the last payment in the chain is made to a non-resident beneficiary in circumstances where the rate of withholding tax that applies is that of the territory where that beneficiary is resident.

Regulation 7 inserts a new regulation 6A in the principal Regulations which reduces the amount of tax payable under paragraph 4(3) of Schedule 23A where overseas tax was charged on the manufactured overseas dividend concerned.

Regulation 8 amends regulation 7 of the principal Regulations so as to provide that tax shall not be required to be accounted for under paragraph 4(3) of Schedule 23A where the payer of the manufactured overseas dividend concerned was entitled to the overseas dividend of which the manufactured overseas dividend is representative.

Regulation 9 inserts a new regulation 7A in the principal Regulations which disapplies paragraph 5 of Schedule 23A (dividends and interest passing through the market) where the manufactured payment referred to in that paragraph is a manufactured overseas dividend.

Regulation 10 amends regulation 9 of the principal Regulations so as to include in the provision for offsetting of tax by an overseas dividend manufacturer cases where overseas tax has been charged on manufactured overseas dividends received by him.

**Status:** *This is the original version (as it was originally made). This item of legislation is currently only available in its original format.*

Regulation 11 makes consequential changes to regulation 10 of the principal Regulations (matching of dividends and manufactured overseas dividends) following the amendments made to regulation 9 of the Principal Regulations by regulation 10 of these Regulations.

Regulation 12 makes the following changes to regulation 12 of the principal Regulations (tax treatment of manufactured overseas dividends representative of foreign dividends). First it extends the scope of regulation 12 so as to cover all collecting agents in receipt of such manufactured overseas dividends, and not just approved United Kingdom collecting agents. Secondly, it disapplies the requirement to deduct tax under that regulation in respect of a manufactured overseas dividend paid to a collecting agent on behalf of an overseas dividend manufacturer in cases where that manufactured overseas dividend is in an equivalent amount and in respect of the same dividend date and the same kind of overseas securities as a manufactured overseas dividend paid by the collecting agent on behalf of the same overseas dividend manufacturer.

Regulation 13 revokes regulation 13 of the principal Regulations, and regulation 14 omits in consequence references to regulation 13 in regulation 15 of the principal Regulations.