

**EXPLANATORY NOTE**

**CLAUSE 39: CERTAIN DISTRIBUTIONS OF OFFSHORE FUNDS  
TAXED AS INTEREST**

**AMENDMENT 89**

**SUMMARY**

1. This amendment ensures that Clause 39 will work as intended to tax dividends from certain offshore funds as interest.

**DETAILS OF THE AMENDMENT TO CLAUSE 39**

2. Amendment 89 inserts a new paragraph in clause 39 which amends section 367 of the Income Tax (Trading and Other Income) Act 2005. The effect of the amendment is to make clear that in cases where the clause operates to tax dividends from offshore funds as interest then that tax treatment will take priority and displace any other tax credit or charge on those dividends that might otherwise apply.

**BACKGROUND NOTE**

3. This amendment does not represent any change in Government policy but is intended to ensure that the clause will operate as it was announced and is intended to do.

Mr Stephen Timms

**89**

Clause **39**, page **19**, line **43**, at end insert—

‘(3A) Accordingly, in section 367 of ITTOIA 2005 (priority between Chapters within Part 4), in subsection (3)—

- (a) in paragraph (a), after “dividends” insert “, 378A (offshore fund distributions)”, and
- (b) in paragraph (b), insert at the end “or Chapter 4 (or both)”.’.