



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART XII

#### SPECIAL CLASSES OF COMPANIES AND BUSINESSES

#### CHAPTER VI

##### MISCELLANEOUS BUSINESSES AND BODIES

**[<sup>F2</sup>503 Letting of furnished holiday accommodation treated as a trade for certain  
<sup>F1</sup>corporation tax] purposes.**

- (1) For the purposes [<sup>F3</sup>of Chapter 2 of Part 10 (loss relief for corporation tax)]—
- (a) a [<sup>F4</sup>UK property business] which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation <sup>F5</sup>. . . shall be treated as if it were a [<sup>F6</sup>trade carried on wholly or partly in the United Kingdom the profits of which are chargeable to corporation tax under Part 3 of CTA 2009,] and
  - (b) all such lettings made by a [<sup>F7</sup>particular company or partnership] shall be treated as one trade.

The “commercial letting of furnished holiday accommodation” is defined below in section 504.

- (2) <sup>F8</sup>.....
- (3) <sup>F8</sup>.....
- (4) Where there is a letting of accommodation only part of which is holiday accommodation, such apportionments shall be made for the purposes of this section as are just and reasonable.
- (5) Relief shall not be given for the same loss, or the same portion of a loss, both under a provision of [<sup>F9</sup>Chapter 2 of Part 10] as applied by this section and under any other provision of the [<sup>F10</sup>Corporation] Tax Acts.]

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**Textual Amendments**

- F1** Words in s. 503 sidenote inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(5)** (with Sch. 2)
- F2** S. 503 substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), **Sch. 5 para. 42** (with Sch. 5 para. 73)
- F3** Words in s. 503(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(2)(a)** (with Sch. 2)
- F4** Words in s. 503(1)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **Sch. 1 para. 172(a)** (with Sch. 2 Pts. 1, 2)
- F5** Words in s. 503(1)(a) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), Sch. 1 para. 195(2)(b), **Sch. 3** (with Sch. 2)
- F6** Words in s. 503(1)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **Sch. 1 para. 172(b)** (with Sch. 2 Pts. 1, 2)
- F7** Words in s. 503(1)(b) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(2)(d)** (with Sch. 2)
- F8** S. 503(2)(3) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), Sch. 1 para. 195(3), **Sch. 3** (with Sch. 2)
- F9** Words in s. 503(5) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(4)(a)** (with Sch. 2)
- F10** Word in s. 503(5) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(4)(b)** (with Sch. 2)

**Modifications etc. (not altering text)**

- C1** S. 503 applied (with effect in accordance with s. 579 of the affecting Act) by [Capital Allowances Act 2001 \(c. 2\)](#), s. 249(2) (with Sch. 3 paras. 54, 55)
- C2** S. 503 applied (with effect in accordance with Sch. 29 Pt. 14 of the affecting Act) by [Finance Act 2002 \(c. 23\)](#), **Sch. 29 para. 32(4)**

**504 Supplementary provisions.**

**F11** .....

**Textual Amendments**

- F11** S. 504 repealed (1.4.2009 with effect in accordance with s. 1329(1) of the repealing Act) by [Corporation Tax Act 2009 \(c. 4\)](#), Sch. 1 para. 173, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**[<sup>F12</sup>504A Letting of furnished holiday accommodation treated as trade for certain income tax purposes**

**F13** .....]

**Textual Amendments**

- F12** S. 504A inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 197** (with Sch. 2)
- F13** S. 504A repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by [Income Tax Act 2007 \(c. 3\)](#), Sch. 1 para. 93, **Sch. 3 Pt. 1** (with Sch. 2)

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**505 [F14Charitable companies]: general.**

(1) M1 Subject to subsections (2) and (3) below, the following exemptions shall be granted on a claim in that behalf to the Board—

[F15(a) exemption from tax [F16under Parts 3 and 4 of CTA 2009]F17 . . . in respect of any profits or gains arising in respect of rents or other receipts from an estate, interest or right in or over any land (whether situated in the United Kingdom or elsewhere) to the extent that the profits or gains—

(i) arise in respect of rents or receipts from an estate, interest or right vested in any person for charitable purposes; and

(ii) are applied to charitable purposes only;]

[F18(aa) exemption from tax [F19under Parts 3 and 4 of CTA 2009], or under Parts 2 and 3 of ITTOIA 2005, in respect of distributions to which section 121 of the Finance Act 2006 (Real Estate Investment Trusts: distributions) applies to the extent that the distributions—

(i) arise in respect of shares vested in a person for charitable purposes; and

(ii) are applied to charitable purposes only;]

F20(b) . . . . .

(c) exemption—

(i) F21 . . . . .

[F22[F23(ii) from tax under section 299 of CTA 2009 (non-trading profits in respect of loan relationships),

[F24(iiiza) from tax under Part 9A of CTA 2009 (company distributions),]

(iiza) from tax under Chapter 5 of Part 10 of that Act (distributions from unauthorised unit trusts),

(iizb) from tax under Chapter 7 of that Part (annual payments not otherwise charged),]

(iia) F25 . . . . .

[F26(iiaa) F27 . . . . .]

[F28(iib) F29 . . . . .]

[F30[F31(iic) from tax under Part 8 of CTA 2009 in respect of non-trading gains on intangible fixed assets,]]

(iii) F27 . . . . .

where the income in question forms part of the income of a [F32charitable company], or is, according to rules or regulations established by Act of Parliament, charter, decree, deed of trust or will, applicable to charitable purposes only, and so far as it is applied to charitable purposes only;

[F33(d) exemption from tax F34 . . . F35 . . . in respect of public revenue dividends on securities which are in the name of trustees, to the extent that the dividends are applicable and applied only for the repair of—

(i) any cathedral, college, church or chapel, or

(ii) any building used only for the purposes of divine worship;]

(e) exemption from tax under [F36Part 3 of CTA 2009]. . . in respect of the profits of any trade carried on by a [F37charitable company][F38(whether in the United Kingdom or elsewhere)], if the profits are applied solely to the purposes of the [F37charitable company] and either—

(i) the trade is exercised in the course of the actual carrying out of a primary purpose of the [F37charitable company]; or

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- (ii) the work in connection with the trade is mainly carried out by beneficiaries of the [<sup>F37</sup>charitable company];
- [<sup>F39</sup>(f) exemption from tax under Schedule D <sup>F40</sup> . . . in respect of profits accruing to a [<sup>F41</sup>charitable company] from [<sup>F42</sup> a lottery if the profits are applied solely to the charitable company's purposes and—
  - (i) the lottery is an exempt lottery within the meaning of the Gambling Act 2005 by virtue of Part 1 or 4 of Schedule 11 to that Act;
  - (ii) the lottery is promoted in accordance with a lottery operating licence within the meaning of Part 5 of that Act; or
  - (iii) the lottery is promoted and conducted in accordance with Article 133 or 135 of the Betting, Gaming, Lotteries and Amusements (Northern Ireland) Order 1985.]]
- [<sup>F43</sup>(1AA) In subsection [<sup>F44</sup>(1)(c)(iib)]“relevant foreign distribution” means any distribution of a company not resident in the United Kingdom [<sup>F45</sup>which is not chargeable under Chapter 2 of Part 10 of CTA 2009.]]
- [<sup>F46</sup>(1A) In subsection (1)(d) above “public revenue dividends” means—
  - (a) income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland;
  - (b) income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.]
- [<sup>F47</sup>(1B) For the purpose of subsection (1)(e)—
  - (a) where a trade is exercised partly in the course of the actual carrying out of a primary purpose of the [<sup>F48</sup>charitable company] and partly otherwise, each part shall be treated as a separate trade (for which purpose reasonable apportionment of expenses and receipts shall be made), and
  - (b) where the work in connection with the trade is carried out partly but not mainly by beneficiaries, the part in connection with which work is carried on by beneficiaries and the other part shall be treated as separate trades (for which purpose reasonable apportionment of expenses and receipts shall be made).]
- (2) <sup>M2</sup>Any payment which—
  - (a) is received by [<sup>F49</sup>a charitable company] from another charity; and
  - (b) is not made for full consideration in money or money's worth; and
  - (c) is not chargeable to [<sup>F50</sup>corporation tax] apart from this subsection; and
  - (d) is not, apart from this subsection, of a description which (on a claim) would be eligible for relief from tax by virtue of any provision of subsection (1) above;
 shall be <sup>F51</sup> . . . [<sup>F52</sup>chargeable to corporation] tax under [<sup>F53</sup>the charge to corporation tax on income] but shall be eligible for relief from tax under subsection (1)(c) above as if it were an annual payment.
- [<sup>F54</sup>(3) In subsections (4) to (7)—
  - (a) “charitable expenditure” has the meaning given by section 506,
  - (b) “relief” means relief or exemption under—
    - (i) subsection (1) above,
    - (ii) section 56(3)(c) above,
    - (iii) section 761(6) below,
    - (iv) section 256 of the 1992 Act (charities), or
    - (v) section 46 of the Finance Act 2000 (small trades),

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- (c) “relievable income and gains” means income and gains which would be eligible for relief or exemption under any of those provisions (disregarding subsections (4) to (6)), and
  - (d) “total income and gains” means the aggregate of—
    - (i) relievable income and gains,
    - (ii) income and gains, other than relievable income and gains, chargeable to tax, and
    - (iii) donations, legacies and other similar receipts that are not chargeable to tax.
- (4) If a [<sup>F55</sup>charitable company] incurs (or is treated as incurring) non-charitable expenditure in [<sup>F56</sup>an accounting] period, relief shall be disallowed in respect of such amount of relievable income and gains as equals the amount of the non-charitable expenditure.
- (5) If in [<sup>F57</sup>an accounting] period a [<sup>F58</sup>charitable company's] non-charitable expenditure exceeds its total income and gains the excess shall be treated as non-charitable expenditure of the previous period for the purposes of subsection (4); and any necessary adjustments shall be made, whether by making assessments or otherwise.
- (6) Subsection (5) may apply to [<sup>F59</sup>an accounting] period wholly or partly as a result of the application of that subsection in respect of a later period; but no excess of non-charitable expenditure shall be treated as non-charitable expenditure of [<sup>F59</sup>an accounting] period which ended more than six years before the end of the period in which the expenditure was actually incurred.
- (7) Where an amount of a [<sup>F60</sup>charitable company's] relievable income and gains is disallowed for relief by subsection (4) (whether or not as a result of the application of subsection (5))—
  - (a) the [<sup>F61</sup>charitable company] may by notice to the Board specify which items of income or gains are to be disallowed, but
  - (b) if the Board requires the [<sup>F61</sup>charitable company] to give a notice under paragraph (a) and the [<sup>F61</sup>charitable company] fails to comply within the period of 30 days beginning with the date on which the requirement is imposed, the Board shall determine which items to disallow.]

#### Textual Amendments

- F14** Words in s. 505 sidenote substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 94\(10\)](#) (with [Sch. 2](#))
- F15** [S. 505\(1\)\(a\)](#) substituted (with effect in accordance with s. 146(5) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [s. 146\(2\)](#)
- F16** Words in s. 505(1)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 174\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F17** Words in s. 505(1)(a) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 94\(2\)\(a\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F18** [S. 505\(1\)\(aa\)](#) inserted (with effect in accordance with s. 52(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 17 para. 17](#)
- F19** Words in s. 505(1)(aa) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 174\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F20** *Repealed by 1988(F) s.148 and Sch.14 Part V from 6 April 1988.*

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- F21** S. 505(1)(c)(i) repealed (with effect in accordance with Sch. 7 para. 32, Sch. 41 Pt. 5(2) Note of the repealing Act) by Finance Act 1996 (c. 8), Sch. 7 para. 19(1), **Sch. 41 Pt. 5(2)** (with Sch. 7 paras. 33-35)
- F22** S. 505(1)(c)(ii)-(iib) substituted for s. 505(1)(c)(ii) (with effect in accordance with s. 146(5) of the amending Act) by Finance Act 1996 (c. 8), **s. 146(3)**
- F23** S. 505(1)(c)(ii)-(iizb) substituted for s. 505(1)(c)(ii) (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 174(4)(a)** (with Sch. 2 Pts. 1, 2)
- F24** S. 505(1)(c)(iizza) inserted (with effect in accordance with Sch. 14 para. 31 of the amending Act) by Finance Act 2009 (c. 10), **Sch. 14 para. 4(2)**
- F25** S. 505(1)(c)(iia) repealed (1.4.2009 with effect in accordance with s. 1329(1) of the repealing Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 174(4)(b), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F26** S. 505(1)(c)(iiaa) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 198(2)(d)** (with Sch. 2)
- F27** S. 505(1)(c)(iiaa)(iii) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(2)(b)(ii), **Sch. 3 Pt. 1** (with Sch. 2)
- F28** S. 505(1)(c)(iib) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 174(4)(c)** (with Sch. 2 Pts. 1, 2)
- F29** S. 505(1)(c)(iib) omitted (with effect in accordance with Sch. 14 para. 31 of the repealing Act) by virtue of Finance Act 2009 (c. 10), **Sch. 14 para. 4(3)**
- F30** S. 505(1)(c)(iic) inserted (24.7.2002) by Finance Act 2002 (c. 23), **Sch. 30 para. 3**
- F31** S. 505(1)(c)(iic) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 174(4)(d)** (with Sch. 2 Pts. 1, 2)
- F32** Words in s. 505(1)(c) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), **Sch. 1 para. 94(2)(b)(iii)** (with Sch. 2)
- F33** S. 505(1)(d) substituted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), **Sch. 7 para. 19(2)** (with Sch. 7 paras. 33-35)
- F34** Words in s. 505(1)(d) repealed (1.4.2009 with effect in accordance with s. 1329(1) of the repealing Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 174(5), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F35** Words in s. 505(1)(d) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(2)(c), **Sch. 3 Pt. 1** (with Sch. 2)
- F36** Words in s. 505(1)(e) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 174(6)** (with Sch. 2 Pts. 1, 2)
- F37** Words in s. 505(1)(e) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), **Sch. 1 para. 94(2)(d)(ii)** (with Sch. 2)
- F38** Words in s. 505(1)(e) inserted (with effect in accordance with s. 146(5) of the amending Act) by Finance Act 1996 (c. 8), **s. 146(4)**
- F39** S. 505(1)(f) inserted (with effect in accordance with s. 138(2) of the amending Act) by Finance Act 1995 (c. 4), **s. 138(1)**
- F40** Words in s. 505(1)(f) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(2)(e)(i), **Sch. 3 Pt. 1** (with Sch. 2)
- F41** Words in s. 505(1)(f) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), **Sch. 1 para. 94(2)(e)(ii)** (with Sch. 2)
- F42** Words in s. 505(1)(f) substituted (1.9.2007) by Finance Act 2007 (c. 11), Sch. 25 paras. 1, **23(2)**; S.I. 2007/2532, **art. 2** (with art. 3)
- F43** S. 505(1AA) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 198(3)** (with Sch. 2)
- F44** Words in s. 505(1AA) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), **Sch. 1 para. 94(3)** (with Sch. 2)
- F45** Words in s. 505(1AA) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 174(7)** (with Sch. 2 Pts. 1, 2)
- F46** S. 505(1A) inserted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), **Sch. 7 para 19(3)** (with Sch. 7 paras. 33-35)

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- F47** S. 505(1B) inserted (with effect in accordance with s. 56(2) of the amending Act) by Finance Act 2006 (c. 25), s. 56(1)
- F48** Words in s. 505(1B)(a) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(4) (with Sch. 2)
- F49** Words in s. 505(2)(a) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(5)(a) (with Sch. 2)
- F50** Words in s. 505(2)(c) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(5)(b) (with Sch. 2)
- F51** Words in s. 505(2) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(5)(c), Sch. 3 Pt. 1 (with Sch. 2)
- F52** Words in s. 505(2) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 198(4) (with Sch. 2)
- F53** Words in s. 505(2) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 174(8) (with Sch. 2 Pts. 1, 2)
- F54** S. 505(3)-(7) substituted for s. 505(3)-(8) (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(1)
- F55** Words in s. 505(4) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(6)(a) (with Sch. 2)
- F56** Words in s. 505(4) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(6)(b) (with Sch. 2)
- F57** Words in s. 505(5) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(7)(a) (with Sch. 2)
- F58** Words in s. 505(5) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(7)(b) (with Sch. 2)
- F59** Words in s. 505(6) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(8) (with Sch. 2)
- F60** Words in s. 505(7) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(9)(a) (with Sch. 2)
- F61** Words in s. 505(7) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 94(9)(b) (with Sch. 2)

#### Modifications etc. (not altering text)

- C3** S. 505 modified (3.5.1994) by Finance Act 1994 (c. 9), s. 171

#### Marginal Citations

- M1** Source—1970 s.360(1)  
**M2** Source—1986 s.30(1)

## 506 [F62 Charitable and non-charitable expenditure]

- (1) <sup>M3</sup>In this section, section 505 and Schedule 20—  
“charity” means any body of persons or trust established for charitable purposes only;  
[<sup>F63</sup>“charitable company” means any body of persons established for charitable purposes only;]  
[<sup>F64</sup>“charitable expenditure” means (subject to subsections (3) to (5) below) expenditure which is exclusively for charitable purposes.]
- (2) <sup>M4</sup>For the purposes of section 505 <sup>F65</sup>. . . , where expenditure which is not actually incurred in a particular [<sup>F66</sup>accounting] period properly falls to be charged against the income of that [<sup>F66</sup>accounting] period as being referable to commitments (whether or

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not of a contractual nature) which the [<sup>F67</sup>charitable company] has entered into before or during that period, it shall be treated as incurred in that period.

(3) A payment made (or to be made) to a body situated outside the United Kingdom shall not be [<sup>F68</sup>charitable expenditure] by virtue of this section unless the [<sup>F69</sup>charitable company] concerned has taken such steps as may be reasonable in the circumstances to ensure that the payment will be applied for charitable purposes.

(4) <sup>M5</sup>If in any [<sup>F70</sup>accounting] period a [<sup>F71</sup>charitable company]—  
 (a) invests any of its funds in an investment which is not a qualifying investment, as defined in Part I of Schedule 20; or  
 (b) makes a loan (not being an investment) which is not a qualifying loan, as defined in Part II of that Schedule;

then, subject to subsection (5) below, the amount so invested or lent in that period shall be treated for the purposes of this section as being an amount of expenditure incurred by the [<sup>F71</sup>charitable company], and, accordingly, as being [<sup>F72</sup>non-charitable expenditure].

(5) If, in any [<sup>F73</sup>accounting] period, a [<sup>F74</sup>charitable company] which has in that period made an investment or loan falling within subsection (4) above—

(a) realises the whole or part of that investment; or  
 (b) is repaid the whole or part of that loan;

any further investment or lending in that period of the sum realised or repaid shall, to the extent that it does not exceed the sum originally invested or lent, be left out of account in determining the amount which, by virtue of subsection (4) above, is treated as [<sup>F75</sup>non-charitable expenditure] incurred in that period.

(6) <sup>F76</sup>.....

**Textual Amendments**

- F62** S. 506(3) heading substituted (with effect in accordance with s. 55(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 55\(2\)\(g\)](#)
- F63** S. 506(1): definition of "charitable company" inserted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 95\(2\)](#) (with Sch. 2)
- F64** S. 506(1): definition of "charitable expenditure" substituted for definitions of "qualifying expenditure" and "non-qualifying expenditure" (with effect in accordance with s. 55(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 55\(2\)\(a\)](#)
- F65** Words in s. 506(2) repealed (with effect in accordance with s. 55(5) of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 55\(2\)\(b\), Sch. 26 Pt. 3\(5\)](#)
- F66** Words in s. 506(2) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 95\(3\)\(a\)](#) (with Sch. 2)
- F67** Words in s. 506(2) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 95\(3\)\(b\)](#) (with Sch. 2)
- F68** Words in s. 506(3) substituted (with effect in accordance with s. 55(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 55\(2\)\(c\)](#)
- F69** Words in s. 506(3) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 95\(4\)](#) (with Sch. 2)
- F70** Word in s. 506(4) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 95\(5\)\(a\)](#) (with Sch. 2)
- F71** Words in s. 506(4) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 95\(5\)\(b\)](#) (with Sch. 2)



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- F72** Words in s. 506(4) substituted (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(2)(d)
- F73** Word in s. 506(5) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 95(6)(a) (with Sch. 2)
- F74** Words in s. 506(5) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 95(6)(b) (with Sch. 2)
- F75** Words in s. 506(5) substituted (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(2)(e)
- F76** S. 506(6) repealed (with effect in accordance with s. 55(5) of the repealing Act) by Finance Act 2006 (c. 25), s. 55(2)(f), Sch. 26 Pt. 3(5)

#### Modifications etc. (not altering text)

- C4** *Definition employed for purposes of: 1990 s.25—donation to charity by individuals. 1990 s.56 and Sch.10 para.21—exemption for convertible securities held by charities. 1990 s.94(1)—inspection powers (definition extended to cover bodies mentioned in sections 507 and 508).*

#### Marginal Citations

- M3** Source—1970 s.360(3); 1986 s.31(1)(a), (c), Sch.7 1(1)
- M4** Source—1986 Sch.7 1(2), (3)
- M5** Source—1986 s.31(4)-(6)

### [<sup>F77</sup>506A Transactions with substantial donors

- (1) This section applies to the following transactions—
- the sale or letting of property by a [<sup>F78</sup>charitable company] to a substantial donor,
  - the sale or letting of property to a [<sup>F78</sup>charitable company] by a substantial donor,
  - the provision of services by a [<sup>F78</sup>charitable company] to a substantial donor,
  - the provision of services to a [<sup>F78</sup>charitable company] by a substantial donor,
  - an exchange of property between a [<sup>F78</sup>charitable company] and a substantial donor,
  - the provision of financial assistance by a [<sup>F78</sup>charitable company] to a substantial donor,
  - the provision of financial assistance to a [<sup>F78</sup>charitable company] by a substantial donor, and
  - investment by a [<sup>F78</sup>charitable company] in the business of a substantial donor.
- (2) For the purposes of this section a person is a substantial donor to a [<sup>F78</sup>charitable company] in respect of [<sup>F79</sup>an accounting] period if—
- the [<sup>F78</sup>charitable company] receives relievably gifts of at least £25,000 from him in a period of 12 months in which [<sup>F80</sup>the accounting] period wholly or partly falls, or
  - the [<sup>F78</sup>charitable company] receives relievably gifts of at least [<sup>F81</sup>£150,000] from him in a period of six years in which [<sup>F80</sup>the accounting] period wholly or partly falls;

and if a person is a substantial donor to a [<sup>F78</sup>charitable company] in respect of [<sup>F79</sup>an accounting] period by virtue of paragraph (a) or (b), he is a substantial donor to the [<sup>F78</sup>charitable company] in respect of the following [<sup>F82</sup>five accounting] periods.

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- (3) A payment made by a [<sup>F78</sup>charitable company] to a substantial donor in the course of or for the purposes of a transaction to which this section applies shall be treated for the purposes of section 505 as non-charitable expenditure.
- (4) If the terms of a transaction to which this section applies are less beneficial to the [<sup>F78</sup>charitable company] than terms which might be expected in a transaction at arm's length, the [<sup>F78</sup>charitable company] shall be treated for the purposes of section 505 as incurring non-charitable expenditure equal to that amount which the Commissioners for Her Majesty's Revenue and Customs determine as the cost to the [<sup>F78</sup>charitable company] of the difference in terms.
- (5) A payment by a [<sup>F78</sup>charitable company] of remuneration to a substantial donor shall be treated for the purposes of section 505 as non-charitable expenditure unless it is remuneration, for services as a trustee, which is approved by—
  - (a) the Charity Commission,
  - (b) another body with responsibility for regulating charities by virtue of legislation having effect in respect of any Part of the United Kingdom, or
  - (c) a court.]

#### Textual Amendments

- F77** Ss. 506A-506C inserted (with effect in accordance with s. 54(2)(3) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 54\(1\)](#)
- F78** Words in s. 506A substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 96\(2\)](#) (with Sch. 2)
- F79** Words in s. 506A(2) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 96\(3\)\(a\)](#) (with Sch. 2)
- F80** Words in s. 506A(2) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 96\(3\)\(b\)](#) (with Sch. 2)
- F81** Words in s. 506A(2)(b) substituted (23.4.2009) by [The Substantial Donor Transactions \(Variation of Threshold Limits\) Regulations 2009 \(S.I. 2009/1029\), regs. 1, 2\(a\)](#)
- F82** Words in s. 506A(2) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 96\(3\)\(c\)](#) (with Sch. 2)

#### [<sup>F77</sup>506B]Section 506A: exceptions

- (1) Section 506A shall not apply to a transaction within section 506A(1)(b) or (d) if the Commissioners for Her Majesty's Revenue and Customs determine that the transaction—
  - (a) takes place in the course of a business carried on by the substantial donor,
  - (b) is on terms which are no less beneficial to the [<sup>F83</sup>charitable company] than those which might be expected in a transaction at arm's length, and
  - (c) is not part of an arrangement for the avoidance of any tax.
- (2) Section 506A shall not apply to the provision of services to a substantial donor if the Commissioners determine that the services are provided—
  - (a) in the course of the actual carrying out of a primary purpose of the [<sup>F83</sup>charitable company], and
  - (b) on terms which are no more beneficial to the substantial donor than those on which services are provided to others.

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- (3) Section 506A shall not apply to the provision of financial assistance to a [<sup>F83</sup>charitable company] by a substantial donor if the Commissioners determine that the assistance—
- (a) is on terms which are no less beneficial to the [<sup>F83</sup>charitable company] than those which might be expected in a transaction at arm's length, and
  - (b) is not part of an arrangement for the avoidance of any tax.
- (4) Section 506A shall not apply to investment by a [<sup>F83</sup>charitable company] in the business of a substantial donor where the investment takes the form of the purchase of shares or securities listed on a recognised stock exchange.
- (5) A disposal at an undervalue [<sup>F84</sup>in respect of which relief is available under section 587B of this Act or section 431 of ITA 2007 (gifts of shares, securities and real property to charities etc)] shall not be a transaction to which section 506A applies (but may be taken into account in the application of section 506A(2)).
- (6) A disposal at an undervalue to which section 257(2) of the 1992 Act (gifts of chargeable assets) applies shall not be a transaction to which section 506A applies (but may be taken into account in the application of section 506A(2)).
- (7) In the application of section 506A payments by a [<sup>F83</sup>charitable company], or benefits arising to a substantial donor from a transaction, shall be disregarded in so far as [<sup>F85</sup>they relate to a donation by the donor, and—
- (a) if the donation is made by a company, the payments or benefits do not prevent the donation being a qualifying donation for the purposes of section 339 because of subsection (3B)(b) of that section (restrictions on associated benefits), or
  - (b) if the donation is made by an individual, the payments or benefits do not prevent the donation being a qualifying donation for the purposes of section 416 of ITA 2007 because of subsection (7)(b) of that section (restrictions on associated benefits).]
- (8) A company which is wholly owned by a charity within the meaning of section 339(7AB) shall not be treated as a substantial donor in relation to [<sup>F86</sup>a charitable company which owns it (or any part of it)].
- (9) A registered social landlord or housing association shall not be treated as a substantial donor in relation to a [<sup>F83</sup>charitable company] with which it is connected; and for that purpose—
- (a) “registered social landlord or housing association” means a body entered on a register maintained under—
    - (i) section 1 of the Housing Act 1996,
    - (ii) section 57 of the Housing (Scotland) Act 2001, or
    - (iii) Article 14 of the Housing (Northern Ireland) Order 1992, and
  - (b) a body and a [<sup>F83</sup>charitable company] are connected if (and only if)—
    - (i) the one is wholly owned, or subject to control, by the other, or
    - (ii) both are wholly owned, or subject to control, by the same person.]

#### Textual Amendments

**F77** Ss. 506A-506C inserted (with effect in accordance with s. 54(2)(3) of the amending Act) by Finance Act 2006 (c. 25), s. 54(1)

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- F83** Words in s. 506B(1)-(4)(7)(9) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 97\(2\)](#) (with [Sch. 2](#))
- F84** Words in s. 506B(5) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 97\(3\)](#) (with [Sch. 2](#))
- F85** Words in s. 506B(7) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 97\(4\)](#) (with [Sch. 2](#))
- F86** Words in s. 506B(8) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 97\(5\)](#) (with [Sch. 2](#))

### [<sup>F77</sup>506C Sections 506A and 506B: supplemental

- (1) A gift is “relievable” for the purposes of section 506A(2) if relief is available in respect of it under—
  - [<sup>F87</sup>(a) section 105 of CTA 2009,]
  - (b) section 339,
  - (c) sections 587B and 587C,
  - (d) <sup>F88</sup> .....
  - (e) section 257 of the 1992 Act (gifts of chargeable assets),
  - (f) section 63 of the Capital Allowances Act (gifts of plant and machinery),
  - (g) sections 713 to 715 of ITEPA 2003 (payroll giving),
  - (h) section 108 of ITTOIA 2005 (gifts of trading stock), <sup>F89</sup> . . .
  - (i) sections 628 and 630 of ITTOIA 2005 (gifts from settlor-interested trusts), [<sup>F90</sup> or]
  - [<sup>F91</sup>(j) Chapters 2 and 3 of Part 8 of ITA 2007 (gift aid and gifts of shares, securities and real property).]
- (2) A [<sup>F92</sup>charitable company] is treated as incurring expenditure in accordance with section 506A(4) at such time (or times) as the Commissioners determine.
- (3) Section 506A applies to a transaction entered into in [<sup>F93</sup>an accounting] period with a person who is a substantial donor in respect of that period, even if it was not until after the transaction was entered into that he first satisfied the definition of “substantial donor” in respect of that period.
- (4) Either or both of subsections (3) and (4) of section 506A may be applied to a single transaction; but any amount of non-charitable expenditure which a [<sup>F92</sup>charitable company] is treated as incurring under section 506A(3) in respect of a transaction shall be deducted from any amount which it would otherwise be treated as incurring under section 506A(4) in respect of the transaction.
- (5) [<sup>F94</sup>A charitable company and any other charities with which it is connected are to be treated as a single charitable company] for the purposes of section 506A and 506B and this section; and for this purpose “connected” means connected in a matter relating to the structure, administration or control of a charity.
- (6) Where remuneration is paid otherwise than in money, section 506A(5) shall apply as to a payment in money of the amount that would, under Part 3 of ITEPA 2003, be the cash equivalent of the remuneration as a benefit.
- (7) In sections 506A and 506B and this section—
  - (a) a reference to a substantial donor or other person includes a reference to a person connected with him within the meaning of section 839,

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- (b) “financial assistance” includes, in particular—
    - (i) the provision of a loan, guarantee or indemnity, and
    - (ii) entering into alternative finance arrangements within the meaning of section 46 of the Finance Act 2005 [<sup>F95</sup>or section 501(2) of CTA 2009], and
  - (c) a reference to a gift of a specified amount includes a reference to a non-monetary gift of that value.
- (8) On an appeal against an assessment the [<sup>F96</sup>tribunal] may review a decision of the Commissioners in connection with section 506A.
- (9) The Treasury may by regulations vary a sum, or a period of time, specified in section 506A(2).]

#### Textual Amendments

- F77** Ss. 506A-506C inserted (with effect in accordance with s. 54(2)(3) of the amending Act) by Finance Act 2006 (c. 25), s. 54(1)
- F87** S. 506C(1)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 175(2) (with Sch. 2 Pts. 1, 2)
- F88** S. 506C(1)(d) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 98(2)(a), Sch. 3 Pt. 1 (with Sch. 2)
- F89** Word at the end of s. 506C(1)(h) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 98(2)(b), Sch. 3 Pt. 1 (with Sch. 2)
- F90** Word at the end of s. 506C(1)(i) inserted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 98(2)(c) (with Sch. 2)
- F91** S. 506C(1)(j) inserted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 98(2)(d) (with Sch. 2)
- F92** Words in s. 506C(2)(4) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 98(3) (with Sch. 2)
- F93** Words in s. 506C(3) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 98(4) (with Sch. 2)
- F94** Words in s. 506C(5) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 98(5) (with Sch. 2)
- F95** Words in s. 506C(7)(b)(ii) inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 175(3) (with Sch. 2 Pts. 1, 2)
- F96** Word in s. 506C(8) substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56), art. 1(2), Sch. 1 para. 147

#### 507 The National Heritage Memorial Fund, the Historic Buildings and Monuments Commission for England and the British Museum.

- (1) <sup>M6</sup>There shall on a claim in that behalf to the Board be allowed in the case of—
- (a) the Trustees of the National Heritage Memorial Fund;
  - (b) the Historic Buildings and Monuments Commission for England;
  - [<sup>F97</sup>(c) the Trustees of the British Museum;
  - (d) the Trustees of the [<sup>F98</sup>Natural History Museum];]
  - [<sup>F99</sup>(e) <sup>F100</sup>.....]
  - [<sup>F101</sup>(f) the National Endowment for Science, Technology and the Arts;]
- such exemption from tax as falls to be allowed under section 505 in the case of a [<sup>F102</sup>charitable company] the whole income of which is applied to charitable purposes.

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F103(2) .....

#### Textual Amendments

- F97** 1989 s.60(1) *in relation to accounting periods ending on or after 14 March 1989.*
- F98** Words in s. 507(1)(d) substituted (1.9.1992) by [Museums and Galleries Act 1992 \(c. 44\)](#), s. 11(2), [Sch. 8 para. 1\(8\)](#); S.I. 1992/1874, [art. 2](#)
- F99** S. 507(1)(e) inserted (1.11.1992) by S.I. 1992/2383, [reg. 2\(2\)](#), [Sch. para. 11](#)
- F100** S. 507(1)(e) omitted (19.4.1999) by virtue of The United Kingdom Ecolabelling Board (Abolition) Regulations 1999 (S.I. 1999/931), [regs. 1, 9](#)
- F101** S. 507(1)(f) inserted (2.7.1998) by [National Lottery Act 1998 \(c. 22\)](#), [s. 24\(1\)](#), [27\(4\)\(b\)](#)
- F102** Words in s. 507(1) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 99](#) (with [Sch. 2](#))
- F103** *Repealed by 1989 ss.60(1) and 187 and Sch. 17 Part IV in relation to accounting periods ending on or after 14 March 1989.*

#### Modifications etc. (not altering text)

- C5** See 1989 s.59—*these bodies treated as established for charitable purposes for purposes of s.59 (covenanted subscriptions).* 1990 s.25—*donations to charity by individuals.*

#### Marginal Citations

- M6** Source—1980 s.118(1); 1983 s.46(1)

### 508 Scientific research organisations.

F104 .....

#### Textual Amendments

- F104** S. 508 repealed (1.4.2010 with effect in accordance with s. 1184(1) of the repealing Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [Sch. 1 para. 78](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

### [<sup>F105</sup>508A Investment trusts investing in housing.

F106 .....

#### Textual Amendments

- F105** Ss. 508A, 508B inserted (with effect in accordance with [Sch. 30 para. 3](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 30 para. 1](#)
- F106** Ss. 508A, 508B repealed (with effect in accordance with s. 145(2) of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 143\(a\)](#), [Sch. 26 Pt. 4](#)

### 508B Interpretation of section 508A.

F107 .....]

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**Textual Amendments**

- F105** Ss. 508A, 508B inserted (with effect in accordance with [Sch. 30 para. 3](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 30 para. 1](#)
- F107** Ss. 508A, 508B repealed (with effect in accordance with s. 145(2) of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), s. 143(a), [Sch. 26 Pt. 4](#)

**509 Reserves of marketing boards and certain other statutory bodies.**

**F108** .....

**Textual Amendments**

- F108** S. 509 repealed (1.4.2009 with effect in accordance with s. 1329(1) of the repealing Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 176](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

**510 Agricultural societies.**

- (1) <sup>M7</sup>Profits or gains arising to an agricultural society from any exhibition or show held for the purposes of the society shall be exempt from tax if applied solely to the purposes of the society.
- (2) In this section “agricultural society” means any society or institution established for the purpose of promoting the interests of agriculture, horticulture, livestock breeding or forestry.

**Marginal Citations**

- M7** Source—1970 s.361

**[<sup>F109</sup>510A] European economic interest groupings.**

- (1) <sup>M8</sup>In this section “grouping” means a European Economic Interest Grouping formed in pursuance of Council Regulation ([EEC](#)) [No. 2137/85](#) of 25th July 1985, whether registered in Great Britain, in Northern Ireland, or elsewhere.
- (2) Subject to the following provisions of this section, for the purposes of charging [<sup>F110</sup>corporation tax] a grouping shall be regarded as acting as the agent of its members.
- (3) In accordance with subsection (2) above—
  - (a) for the purposes mentioned in that subsection the activities of the grouping shall be regarded as those of its members acting jointly and each member shall be regarded as having a share of its property, rights and liabilities; <sup>F111</sup> . . .
  - (b) <sup>F111</sup> .....

[<sup>F112</sup>but paragraph (a) above is subject to subsection (6A) below.]
- (4) Subject to subsection (5) below, for the purposes of this section a member’s share of any property, rights or liabilities of a grouping shall be determined in accordance with the contract under which the grouping is established.

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- (5) Where the contract does not make provision as to the shares of members in the property, rights or liabilities in question a member’s share shall be determined by reference to the share of the profits of the grouping to which he is entitled under the contract (and if the contract makes no provision as to that, the members shall be regarded as having equal shares).
- (6) <sup>F113</sup> . . . Where any trade or profession is carried on by a grouping it shall be regarded for the purposes of charging [<sup>F114</sup>corporation tax] as carried on in partnership by the members of the grouping.
- [<sup>F116</sup>Part 5 of CTA 2009] (loan relationships) shall have effect in relation to a grouping <sup>F115</sup>(6A) as it has effect in relation to a partnership (see in particular [<sup>F116</sup>Chapter 9 of that Part and sections 467 and 472 to 474 of] that Act).]
- (7) <sup>F117</sup> . . . . .
- (8) <sup>F117</sup> . . . . .]

**Textual Amendments**

**F109** S. 510A inserted (retrospective to 1.7.1989) by [Finance Act 1990 \(c. 29\), Sch. 11 paras. 1, 5](#)

**F110** Words in s. 510A(2) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 101\(2\)](#) (with [Sch. 2](#))

**F111** S. 510A(3)(b) and preceding word repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 101\(3\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F112** Words in s. 510A(3) inserted (with effect in accordance with s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), Sch. 25 para. 49\(3\)](#)

**F113** Words in s. 510A(6) repealed (with effect in accordance with Sch. 29 Pt. 8(16) Note 3 of the repealing Act) by [Finance Act 1995 \(c. 4\), Sch. 29 Pt. 8\(16\)](#)

**F114** Words in s. 510A(6) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 101\(4\)](#) (with [Sch. 2](#))

**F115** S. 510A(6A) inserted (with effect in accordance with s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), Sch. 25 para. 49\(4\)](#)

**F116** Words in s. 510A(6A) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), Sch. 1 para. 177](#) (with [Sch. 2 Pts. 1, 2](#))

**F117** S. 510A(7)(8) repealed (with effect in accordance with Sch. 29 Pt. 8(16) Note 3 of the repealing Act) by [Finance Act 1995 \(c. 4\), Sch. 29 Pt. 8\(16\)](#)

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**Marginal Citations**

**M8** Source—O.J. No. L199/1.

**511 The Electricity Council and Boards, the Northern Ireland Electricity Service and the Gas Council.**

- (1) <sup>F118</sup> . . . . .
- (2) <sup>F118</sup> . . . . .
- (3) <sup>F118</sup> . . . . .
- <sup>F119</sup>(4) . . . . .
- <sup>F119</sup>(5) . . . . .



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- (6) <sup>F118</sup> .....
- (7) <sup>M9</sup>The Corporation Tax Acts shall apply in relation to the trade of the Gas Council as if before the beginning of April 1962 it had consisted of the trades of the Area Boards (within the meaning of the <sup>M10</sup>Gas Act 1948), and (without prejudice to the generality of the foregoing) allowances and balancing charges shall be made to or on the Gas Council accordingly by reference to the capital expenditure of Area Boards and to the allowances made to Area Boards in respect of that expenditure.

**Textual Amendments**

**F118** S. 511(1)-(3)(6) repealed (9.11.2001) by Electricity Act 1989 (c. 29), s. 113(2), Sch. 18; S.I. 2001/3419, art. 2

**F119** S. 511(4)(5) repealed (1.4.1992) by S.I. 1992/231 (N.I. 1), art. 95(4), Sch.14; S.R. 1992/117, art. 3(1)

**Modifications etc. (not altering text)**

**C6** See ss.89 and 90 and Sch.11 Electricity Act 1989 in connection with electricity industry privatisation; and see s.112 and Sch.18 Electricity Act 1989 for changes to s.511 from a day to be appointed.

**Marginal Citations**

**M9** Source—1970 s.350(3)

**M10** 1948 c. 67.

**512 Atomic Energy Authority and National Radiological Protection Board.**

<sup>F120</sup> .....

**Textual Amendments**

**F120** S. 512 repealed (with effect in accordance with s. 46(4)(c)-(e) of the repealing Act) by Finance (No. 2) Act 2005 (c. 22), s. 46(2)(c)(d), Sch. 11 Pt. 2(12), Note (with s. 46(7)); and s. 512(2) repealed (6.4.2006) by Finance Act 2004 (c. 12), Sch. 42 Pt. 3, Note (with Sch. 36)

**513 British Airways Board and National Freight Corporation.**

- (1) <sup>M11</sup>Subject to subsection (2) below, the successor company in which the property, rights, liabilities and obligations of the British Airways Board are vested by the <sup>M12</sup>Civil Aviation Act 1980 shall be treated for all purposes of corporation tax as if it were the same person as the British Airways Board; and the successor company to which the undertaking of the National Freight Corporation is transferred by the <sup>M13</sup>Transport Act 1980 shall be treated for those purposes as if it were the same person as the National Freight Corporation.
- (2) <sup>M14</sup>The transfer by the Civil Aviation Act 1980 from the British Airways Board to the successor company of liability for any loan made to the Board shall not affect any direction in respect of the loan which has been given by the Treasury under section 581.
- (3) A successor company shall not by virtue of subsection (1) above be regarded as a body falling within section [<sup>F121</sup>170(12) of the 1992 Act].

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#### Textual Amendments

**F121** Words in s. 513(3) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 289, 290(1), **Sch. 10 para. 14(32)** (with ss. 60, 101(1), 171(1), 201(3))

#### Marginal Citations

**M11** Source—1973 s.36(1)  
**M12** 1980 c.60.  
**M13** 1980 c.34.  
**M14** Source—1980 s.119(1)-(3)

### 514 Funds for reducing the National Debt.

**F122** .....

#### Textual Amendments

**F122** [S. 514](#) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 200](#), **Sch. 3** (with [Sch. 2](#))

### 515 Signatories to Operating Agreement for INMARSAT.

**F123** .....

#### Textual Amendments

**F123** [S. 515](#) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 102](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))

### 516 Government securities held by non-resident central banks.

**F124** .....

#### Textual Amendments

**F124** [S. 516](#) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 103](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))

### 517 Issue departments of the Reserve Bank of India and the State Bank of Pakistan.

<sup>M15</sup>There shall be exempt from [<sup>F125</sup>corporation] tax any profits or income arising or accruing to the issue department of the Reserve Bank of India constituted under an Act of the Indian legislature called the Reserve Bank of India Act 1934, or to the issue department of the State Bank of Pakistan constituted under certain orders made under section 9 of the <sup>M16</sup>Indian Independence Act 1947.

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### Textual Amendments

**F125** Word in s. 517 inserted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 104](#) (with [Sch. 2](#))

### Marginal Citations

**M15** Source—1970 s.371

**M16** 1947 c. 30.

## 518 Harbour reorganisation schemes.

- (1) <sup>M17</sup>This section has effect where the trade of any body corporate other than a limited liability company is transferred to a harbour authority by or under a certified harbour reorganisation scheme which provides also for the dissolution of the transferor.
- [<sup>F126</sup>(2) For the purposes of provisions of the Corporation Tax Acts that apply—
  - (a) only if a person starts to carry on a trade, or
  - (b) only if a person ceases to carry on a trade,the transferor is not treated as ceasing to carry on the trade, and the transferee is not treated as starting to carry it on.]
- (3) The transferee shall be entitled to relief from corporation tax under section 393(1), as for a loss sustained by it in carrying on the transferred trade or any trade of which it comes to form part, for any amount which, if the transferor had continued to carry it on, would have been available to the transferor for carry-forward against chargeable profits of succeeding accounting periods, but subject to any claim made by the transferor under section [<sup>F127</sup>393A(1)].
- (4) There shall be made to or on the transferee in accordance with [<sup>F128</sup>the Capital Allowances Act (including enactments which under this Act are to be treated as contained in that Act)] all such allowances and charges as would, if the transferor had continued to carry on the trade, have fallen to be made to or on it under those Acts and the amount of any such allowance or charge shall be computed as if the transferee had been carrying on the trade since the transferor had begun to do so and as if everything done to or by the transferor had been done to or by the transferee.
- (5) No sale or transfer which on the transfer of the trade is made by the transferor to the transferee of any assets in use for the purposes of the trade shall be treated as giving rise to any such allowance or charge as is mentioned in subsection (4) above.
- <sup>F129</sup>(6) .....
- (7) The transferee shall be entitled to relief from corporation tax in respect of chargeable gains for any amount for which the transferor would have been entitled to claim relief in respect of allowable losses if it had continued to carry on the trade.
- (8) <sup>M18</sup>Where part only of such trade is transferred to a harbour authority by or under a certified harbour organisation scheme, and the transferor continues to carry on the remainder of the trade, or any such trade is, by or under a certified harbour reorganisation scheme which provides also for the dissolution of the transferor, transferred in parts to two or more harbour authorities, this section shall apply as if the transferred part, or each of the transferred parts, had at all times been a separate trade.

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- (9) Where a part of any trade is to be treated by virtue of subsection (8) above as having been a separate trade over any period there shall be made any necessary adjustments of accounting periods, and such apportionments as may be just of receipts, expenses, allowances or charges.

Subsection (10) of section 343 shall apply to any apportionment under this subsection as it applies to an apportionment under subsection (9) of that section.

- (10)<sup>M19</sup>In this section—

“harbour authority” has the same meaning as in the<sup>M20</sup>Harbours Act 1964;

“harbour reorganisation scheme” means any statutory provision providing for the management by a harbour authority of any harbour or group of harbours in the United Kingdom, and “certified”, in relation to any harbour reorganisation scheme, means certified by a Minister of the Crown or government department as so providing with a view to securing, in the public interest, the efficient and economical development of the harbour or harbours in question;

“limited liability company” means a company having a limit on the liability of its members;

“statutory provision” means any enactment, or any scheme, order or other instrument having effect under an enactment, and includes an enactment confirming a provisional order; and

“transferor”, in relation to a trade, means the body from whom the trade is transferred, whether or not the transfer is effected by that body.

#### Textual Amendments

**F126** S. 518(2) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 178** (with Sch. 2 Pts. 1, 2)

**F127** Words in s. 518(3) substituted by Finance Act 1991 (c. 31, SIF 63:1), s. 73(3)(4)(5), **Sch. 15 para. 19(1)**

**F128** Words in s. 518(4) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 43**

**F129** S. 518(6) repealed by Finance Act 1991 (c. 31, SIF 63:1), ss. 73(3)(4)(5), 123, Sch. 15 para. 19(2), **Sch. 19 Pt. V**, Note 4

#### Marginal Citations

**M17** Source—1970 s.352(1)-(6); 1971 Sch.8 16; 1986 s.56(7)(a), Sch.13 2(5)(a)

**M18** Source—1970 s.352(8), (9)

**M19** Source—1970 s.352(11)

**M20** 1964 c. 40.

## 519 Local authorities.

[<sup>F130</sup>(1) A local authority in the United Kingdom shall be exempt from corporation tax.]

- (2) Subsection (1) above shall apply to a local authority association as it applies to a local authority.

- (3) In this Act “local authority association” means any incorporated or unincorporated association—

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- (a) of which all the constituent members are local authorities, groups of local authorities or local authority associations, and
  - (b) which has for its object or primary object the protection and furtherance of the interests in general of local authorities or any description of local authorities;
- and for this purpose, if a member of an association is a representative of or appointed by any authority, group of authorities or association, that authority, group or association (and not he) shall be treated as a constituent member of the association.

<sup>F131</sup>(4) .....

**Textual Amendments**

**F130** S. 519(1) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 105](#) (with [Sch. 2](#))

**F131** Subs.(4) *repealed by* 1990 s.127 and Sch.18 para.5(2) and 132 and Sch.19 Part IV on and after 1 April 1990.

**Modifications etc. (not altering text)**

**C7** S. 519 extended (12.1.2000) by [Greater London Authority Act 1999 \(c. 29\)](#), [ss. 419\(1\)\(2\)\(a\)](#), [425\(2\)](#) (with [s. 157\(4\)](#)); [S.I. 1999/3434](#), [art. 2](#)

**C8** Definition applied for purposes of—1979(C) s.149B(3)—*miscellaneous exemptions*. 1988 s.832(1) —*interpretation of Tax Acts*.

<sup>F132</sup>**519A Health service bodies.**

<sup>F133</sup>(1) A health service body shall be exempt from corporation tax.]

(2) In this section “health service body” means—

<sup>F134</sup>(a) a <sup>F135</sup>Strategic Health Authority <sup>F136</sup>established under section 13 of the [National Health Service Act 2006](#)] <sup>F137</sup>... <sup>F138</sup>...;

(aa) a Special Health Authority established under <sup>F139</sup>section 28 of that Act or section 22 of the [National Health Service \(Wales\) Act 2006](#)];

<sup>F140</sup>(ab) [ a Primary Care Trust;]

<sup>F141</sup>(aba) [ a Local Health Board;]

(b) a National Health Service trust established under <sup>F142</sup>section 25 of the [National Health Service Act 2006](#) or section 18 of the [National Health Service \(Wales\) Act 2006](#)];

<sup>F143</sup>(bb) [ an NHS foundation trust]

(c) <sup>F144</sup> .....

(d) a Health Board or Special Health Board, the Common Services Agency for the Scottish Health Service and a National Health Service trust respectively constituted under sections 2, 10 and 12A of the [National Health Service \(Scotland\) Act 1978](#);

(e) <sup>F145</sup> .....

(f) <sup>F146</sup> .....

(g) the Scottish Dental Practice Board; <sup>F147</sup> ...

(h) <sup>F148</sup> .....

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- [ a Health and Social Services Board and the Northern Ireland Central Services Agency for the Health and Social Services established under Articles 16 and 26 respectively of the Health and Personal Social Services (Northern Ireland) Order 1972;
- <sup>F149</sup>(i) (j) a special health and social services agency established under the Health and Personal Social Services (Special Agencies) (Northern Ireland) Order 1990; and
- (k) a Health and Social Services trust established under the Health and Personal Social Services (Northern Ireland) Order 1991.]
- [ The Treasury may by order disapply [<sup>F151</sup>subsection (1)] in relation to a specified <sup>F150</sup>(3) activity, or class of activity, of an NHS foundation trust.
- (4) An order under subsection (3) shall make provision for determining the amount of the profits relating to an activity that are to be charged to corporation tax as a result of the disapplication of [<sup>F151</sup>subsection (1)].
- (5) An order under subsection (3) may, in particular—
- (a) make provision for disregarding profits of less than a specified amount in respect of a financial year or accounting period or a specified part of a financial year or accounting period;
- (b) make provision for disregarding a specified part of profits in respect of a financial year or accounting period or a specified part of a financial year or accounting period;
- (c) make provision for disregarding all or part of profits relating to activity in respect of which receipts or turnover (as defined by the order) are less than a specified amount in respect of a financial year or accounting period or a specified part of a financial year or accounting period.
- (6) An order under subsection (3)—
- (a) may apply, with or without modification, a provision of the Tax Acts,
- (b) may disapply a provision of the Tax Acts,
- (c) may make provision similar to a provision of the Tax Acts, and
- (d) may make provision generally or in relation to a specified body or class of bodies.
- (7) The Treasury may make an order under subsection (3) only—
- (a) in relation to an activity or class of activity that appears to the Treasury to be of a commercial nature,
- (b) where it appears to the Treasury to be expedient for the purpose of avoiding, removing or reducing differences between—
- (i) the fiscal treatment of the body undertaking the activity, and
- (ii) the fiscal treatment of another body or class of body which is of a commercial nature and which undertakes or might undertake the same or a similar activity, and
- (c) if a draft has been laid before, and approved by resolution of, the House of Commons.
- (8) An activity authorised under [<sup>F152</sup>section 43(1) of the National Health Service Act 2006] shall not be treated as an activity of a commercial nature for the purposes of subsection (7)(a).]]

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### Textual Amendments

- F132** S. 519A inserted (17.9.1990) by National Health Service and Community Care Act 1990 (c. 19), **ss. 61(1), 67(2)**; S.I. 1990/1329, art. 2(5)(a), **Sch. 2**
- F133** S. 519A(1) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), **Sch. 1 para. 106(2)** (with Sch. 2)
- F134** S. 519A(2)(a)(aa) substituted for s. 519A(2)(a) (1.4.1996) by Health Authorities Act 1995 (c. 17), s. 2(3), **Sch. 1 para. 114(a)** (with Sch. 2)
- F135** Words in s. 519A(2)(a) inserted (1.10.2002) by The National Health Service Reform and Health Care Professions Act 2002 (Supplementary, Consequential etc. Provisions) Regulations 2002 (S.I. 2002/2469), reg. 1, **Sch. 1 para. 14**
- F136** Words in s. 519A(2)(a) inserted (1.3.2007) by National Health Service (Consequential Provisions) Act 2006 (c. 43), s. 8(2), **Sch. 1 para. 100(a)(i)**
- F137** Words in s. 519A(2)(a) omitted (1.4.2007) by virtue of The References to Health Authorities Order 2007 (S.I. 2007/961), art. 1(1), **Sch. para. 19**
- F138** Words in s. 519A(2)(a) omitted (1.3.2007) by virtue of National Health Service (Consequential Provisions) Act 2006 (c. 43), s. 8(2), **Sch. 1 para. 100(a)(ii)**
- F139** Words in s. 519A(2)(aa) substituted (1.3.2007) by National Health Service (Consequential Provisions) Act 2006 (c. 43), s. 8(2), **Sch. 1 para. 100(b)**
- F140** S. 519A(2)(ab) inserted (1.4.2000 for E.W. and 11.5.2001 otherwise) by Health Act 1999 (c. 8), s. 67(1), **Sch. 4 para. 73**; S.I. 1999/2342, art. 2(4)(b)(i); S.I. 2001/1985, art. 2(4)
- F141** S. 519A(2)(aba) inserted (10.10.2002 for W., otherwise prosp.) by National Health Service Reform and Health Care Professions Act 2002 (c. 17), s. 42(3), **Sch. 5 para. 27**; S.I. 2005/2352, art. 2, **Sch.**
- F142** Words in s. 519A(2)(b) substituted (1.3.2007) by National Health Service (Consequential Provisions) Act 2006 (c. 43), s. 8(2), **Sch. 1 para. 100(c)**
- F143** S. 519A(2)(bb) inserted (1.4.2004) by Health and Social Care (Community Health and Standards) Act 2003 (c. 43), **ss. 33(1), 199(1)**; S.I. 2004/759, art. 2
- F144** S. 519A(2)(c) repealed (1.4.1996) by Health Authorities Act 1995 (c. 17), s. 2(3), Sch. 1 para. 114(b), **Sch. 3** (with Sch. 2)
- F145** S. 519A(2)(e) repealed (S.) (27.9.2005) by The Mental Health (Care and Treatment) (Scotland) Act 2003 (Modification of Enactments) Order 2005 (S.S.I. 2005/465), art. 1, **Sch. 2**; and s. 519A(2)(e) repealed (E.W.N.I.) (5.10.2005) by The Mental Health (Care and Treatment) (Scotland) Act 2003 (Consequential Provisions) Order 2005 (S.I. 2005/2078), art. 1(1), **Sch. 3**
- F146** S. 519A(2)(f) repealed (1.4.2006) by Health and Social Care (Community Health and Standards) Act 2003 (c. 43), s. 199(1), **Sch. 14 Pt. 4**; S.I. 2005/2925, art. 11
- F147** Word in s. 519A(2)(g) repealed by S.I. 1991/195, art. 6
- F148** S. 519A(2)(h) repealed (1.4.2005) by Health and Social Care (Community Health and Standards) Act 2003 (c. 43), **ss. 190(2), 199(1)**, Sch. 13 para. 5, **Sch. 14 Pt. 7**; S.I. 2005/457, art. 2(1)(a)(b)
- F149** S. 519A(2)(i) (j) (k) added by S.I. 1991/195, art. 6
- F150** S. 519A(3)-(8) added (22.7.2004) by Finance Act 2004 (c. 12), s. 148
- F151** Words in s. 519A(3)(4) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), **Sch. 1 para. 106(3)** (with Sch. 2)
- F152** Words in s. 519A(8) substituted (1.3.2007) by National Health Service (Consequential Provisions) Act 2006 (c. 43), s. 8(2), **Sch. 1 para. 101**

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