



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XIII

MISCELLANEOUS SPECIAL PROVISIONS

CHAPTER I

INTELLECTUAL PROPERTY

Modifications etc. (not altering text)

C1 Pt. 13 Ch. 1 modified (8.11.1995) by [Atomic Energy Authority Act 1995 \(c. 37\)](#), [Sch. 3 para. 20](#)

Patents and know-how

520 Allowances for expenditure on purchase of patent rights: post-31st March 1986 expenditure.

F1

Textual Amendments

F1 [Ss. 520-523](#) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 44](#), [Sch. 4](#)

521 Provisions supplementary to section 520.

F2

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.
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Textual Amendments
F2 Ss. 520-523 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 44, Sch. 4](#)

522 Allowances for expenditure on purchase of patent rights: pre-1st April 1986 expenditure.

F3

Textual Amendments
F3 Ss. 520-523 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 44, Sch. 4](#)

523 Lapses of patent rights, sales etc.

F4

Textual Amendments
F4 Ss. 520-523 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 44, Sch. 4](#)

524 Taxation of receipts from sale of patent rights.

(1) ^{M1}Subject to subsection (2) below, where a [^{F5}company] resident in the United Kingdom sells all or any part of any patent rights and the net proceeds of the sale consist wholly or partly of a capital sum, [^{F5}the company] shall, subject to the provisions of this Chapter, be charged to [^{F6}corporation tax] under Case VI of Schedule D, for the [^{F7}accounting] period in which the sum is received by [^{F5}it] and successive [^{F7}accounting] periods, being charged in each period on the same fraction of the sum as the period is of six years (or such less fraction as has not already been charged).

(2) If the [^{F8}company] by notice served on [^{F9}an officer of the Board within the period specified in subsection (2A) below], elects that the whole of the sum shall be charged to [^{F10}corporation] tax for [^{F11}the [^{F12}accounting] period in which it was received], it shall be charged to [^{F10}corporation] tax accordingly.

[^{F13}(2A) The period mentioned in subsection (2) above is—

- (a) ^{F14}
- (b) ^{F15} . . . the period of two years beginning at the end of the accounting period in which the sum was received.]

(3) [^{F16M2}Where a relevant non-resident company] sells all or any part of any patent rights and the net proceeds of the sale consist wholly or partly of a capital sum, and the patent is a United Kingdom patent, then, subject to the provisions of this Chapter—

- (a) [^{F17}the company shall be chargeable to corporation tax] in respect of that sum under Case VI of Schedule D; ^{F18} . . .
- (b) ^{F18}

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- (c) ^{F18}
- (4) ^{F19}
- ^{F20}(5) In subsection (3) above “relevant non-resident company” means a company not resident in the United Kingdom which would be within the charge to corporation tax in respect of any proceeds of the sale of the patent rights not consisting of a capital sum.]
- (6) Where subsection (3) applies to charge a company to corporation tax in respect of a sum paid to it, ^{F21} . . . the company may, by notice given to the Board not later than two years after the end of the accounting period in which the sum is paid, elect that the sum shall be treated as arising rateably in the accounting periods ending not later than six years from the beginning of that in which the sum is paid (being accounting periods during which the company remains within the charge to corporation tax in respect of any proceeds of the sale not consisting of a capital sum), and there shall be made all such repayments of tax and assessments to tax as are necessary to give effect to any such election.
- (7) ^{M3}Subject to subsections (8) and (9) below, where the [^{F22}company] selling all or any part of any patent rights (“the seller”) acquired the rights sold, or the rights out of which they were granted, by purchase and the price paid by [^{F23}it] consisted wholly or partly of a capital sum, the preceding provisions of this section shall apply as if any capital sum received by [^{F23}it] when [^{F24}it] sells the rights were reduced by the amount of that sum.
- (8) Where between the purchase and the sale the seller has sold part of the rights acquired by [^{F25}it] and the net proceeds of that sale consist wholly or partly of a capital sum, the amount of the reduction falling to be made under subsection (7) above in respect of the subsequent sale shall be itself reduced by the amount of that sum.
- ^{F26}(9) If a company is chargeable to corporation tax under subsection (3) above, nothing in subsections (7) and (8) above shall affect the sum representing income tax which is to be deducted under section 910 of ITA 2007 (payments to non-UK residents) from payments of, or of instalments of, the proceeds of the sale.
- (9A) If any sum representing income tax is deducted under section 910 of ITA 2007, any adjustment necessary to give effect to the provisions of subsection (9) above shall be made by way of repayment of tax.]
- (10) ^{M4}A claim for relief under this section shall be made to the Board.

Textual Amendments

- F5** Words in s. 524(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. 201(2)(a)** (with Sch. 2)
- F6** Words in s. 524(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. 201(2)(b)** (with Sch. 2)
- F7** Words in s. 524(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. 201(2)(c)** (with Sch. 2)
- F8** Word in s. 524(2) 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. 201(3)(a)** (with Sch. 2)
- F9** Words in s. 524(2) substituted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 21 para. 15(2)(a)**
- F10** Words in s. 524(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. 201(3)(b)** (with Sch. 2)

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- F11** Words in s. 524(2) substituted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 21 para. 15(2)(b)**
- F12** Word in s. 524(2) 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. 201(3)(c)** (with Sch. 2)
- F13** S. 524(2A) inserted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 21 para. 15(3)**
- F14** S. 524(2A)(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. 201(4)(a), Sch. 3** (with Sch. 2)
- F15** Words in s. 524(2A)(b) 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. 201(4)(b), Sch. 3** (with Sch. 2)
- F16** Words in s. 524(3) 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. 201(5)(a)** (with Sch. 2)
- F17** Words in s. 524(3)(a) 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. 201(5)(b)** (with Sch. 2)
- F18** S. 524(3)(b)(c) 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. 107(2), Sch. 3 Pt. 1** (with Sch. 2)
- F19** S. 524(4) 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. 201(6), Sch. 3** (with Sch. 2)
- F20** S. 524(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. 201(7)** (with Sch. 2)
- F21** Words in s. 524(6) 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. 201(8), Sch. 3** (with Sch. 2)
- F22** Word in s. 524(7) 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. 201(9)(a)** (with Sch. 2)
- F23** Words in s. 524(7) 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. 201(9)(b)** (with Sch. 2)
- F24** Word in s. 524(7) 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. 201(9)(c)** (with Sch. 2)
- F25** Word in s. 524(8) 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. 201(10)** (with Sch. 2)
- F26** S. 524(9)(9A) substituted for s. 524(9) (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. 107(3)** (with Sch. 2)

Marginal Citations

- M1** Source - 1970 s.380(1)
- M2** Source - 1970 s.380(2)
- M3** Source - 1970 s.380(4)
- M4** Source - 1970 s.380(5)

525 Capital sums: ^{F27} . . . winding up or partnership change.

[^{F28}(1) Where a body corporate on which, by reason of the receipt of a capital sum, a charge falls or would otherwise fall to be made under section 524 commences to be wound up—

- (a) no sums shall be charged under that section on that body for any accounting period subsequent to that in which the winding up commences; and
- (b) the amount falling to be charged for the accounting period in which the winding up commences shall be increased by the total amounts which, but for the winding up, would have fallen to be charged for subsequent accounting periods.]

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- (2) ^{F29}
- (3) ^{M5}Where, under [^{F30}section 559 of the Capital Allowances Act (effect of successions)] as applied by section 532, a charge under section 524 falls to be made on two or more persons jointly as being the persons for the time being carrying on a trade, and that trade is discontinued, subsection (1) above shall have effect in relation to the discontinuance as it has effect where a body corporate commences to be wound up.
- (4) Where subsection (3) above applies—
- (a) the additional sum which, under subsection (1) above, falls to be charged for the [^{F31}accounting period] in which the discontinuance occurs shall be apportioned among the members of the partnership immediately before the discontinuance, according to their respective interests in the partnership profits before the discontinuance, and each partner ^{F32}. . . shall be charged separately for [^{F33}its] proportion; ^{F34}. . .
- (b) ^{F34}
- (5) ^{F35}

Textual Amendments

- F27** Word in s. 525 sidenote omitted (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by virtue of [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 202\(5\)](#) (with [Sch. 2](#))
- F28** S. 525(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. 202\(2\)](#) (with [Sch. 2](#))
- F29** S. 525(2) 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. 202\(3\)](#), [Sch. 3](#) (with [Sch. 2](#))
- F30** Words in s. 525(3) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 45](#)
- F31** Words in s. 525(4)(a) 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. 202\(4\)\(a\)\(i\)](#) (with [Sch. 2](#))
- F32** Words in s. 525(4)(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. 202\(4\)\(a\)\(ii\)](#), [Sch. 3](#) (with [Sch. 2](#))
- F33** Word in s. 525(4)(a) 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. 202\(4\)\(a\)\(iii\)](#) (with [Sch. 2](#))
- F34** S. 525(4)(b) and preceding word 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. 202\(4\)\(b\)](#), [Sch. 3](#) (with [Sch. 2](#))
- F35** S. 525(5) repealed (with effect in accordance with [Sch. 14 Pt. 8 Note 4](#) of the repealing Act) by [Finance Act 1988 c. 39](#), [Sch. 14 Pt. 8](#)

Marginal Citations

- M5** Source - 1970 s.381(2)

526 Relief for expenses.

- ^{M6}(1) Where—

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- (a) a [^{F36}company], otherwise than for the purposes of a trade carried on by [^{F37}it], pays any fees or incurs any expenses in connection with the grant or maintenance of a patent, or the obtaining of an extension of a term of a patent, or a rejected or abandoned application for a patent, and
- (b) those fees or expenses would, if they had been paid or incurred for the purposes of a trade, have been allowable as a deduction in estimating the [^{F38}profits] of that trade,

there shall be made to [^{F39}the company for the purposes of corporation tax], for the [^{F40}accounting] period in which those expenses were paid or incurred, an allowance equal to the amount thereof.

(2) ^{F41}

Textual Amendments

F36 Word in s. 526(1)(a) 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. 203\(2\)\(a\)](#) (with Sch. 2)

F37 Word in s. 526(1)(a) 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. 203\(2\)\(b\)](#) (with Sch. 2)

F38 Word in s. 526(1)(b) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 1](#)

F39 Words in s. 526(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. 203\(2\)\(c\)](#) (with Sch. 2)

F40 Word in s. 526(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. 203\(2\)\(d\)](#) (with Sch. 2)

F41 [S. 526\(2\)](#) 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. 203\(3\), Sch. 3](#) (with Sch. 2)

Marginal Citations

M6 Source - 1970 s.382

527 Spreading of royalties over several years.

[^{F42M7}(1) Where—

- (a) a royalty or other sum is paid to a company in respect of the user of a patent,
- (b) the user extended over a period of six complete years or more, and
- (c) the payment is one from which a sum representing income tax must be deducted under section 903 of ITA 2007,

the company may on the making of a claim require that the corporation tax payable by it by reason of the receipt of that sum shall be reduced so as not to exceed the total amount of corporation tax which would have been payable by it if that royalty or sum had been paid in six equal instalments at yearly intervals, the last of which was paid on the date on which the payment was in fact made.]

(2) Subsection (1) above shall apply in relation to a royalty or other sum where the period of the user is two complete years or more but less than six complete years as it applies to the royalties and sums mentioned in that subsection, but with the substitution for the reference to six equal instalments of a reference to so many equal instalments as there are complete years comprised in that period.

(3) ^{F43}

(4) ^{F44}

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Textual Amendments

- F42** S. 527(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. 108\(2\)](#) (with [Sch. 2](#))
- F43** S. 527(3) repealed (with effect in accordance with Sch. 14 Pt. 8 Note 5 of the repealing Act) by [Finance Act 1988 \(c. 39\), Sch. 14 Pt. 8](#)
- F44** S. 527(4) 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. 108\(3\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))

Marginal Citations

- M7** Source - 1970 s.384

528 Manner of making allowances and charges.

- M8**(1) ^{F45}
- (2) ^{F46}
- (3) Where an allowance falls to be made to a company for any accounting period under [^{F47}section 526]^{F48} . . . , and is not to be made in taxing a trade—
- (a) the allowance shall, as far as may be, be given effect by deducting the amount of the allowance from the company's income from patents of the accounting period;
 - (b) where the allowance cannot be given full effect under paragraph (a) above in that period by reason of a want or deficiency of income from patents, then (so long as the company remains within the charge to corporation tax) the amount unallowed shall be carried forward to the succeeding accounting period, and shall be treated for the purposes of that paragraph, and of any further application of this paragraph, as the amount of a corresponding allowance for that period.
- [^{F49}(3A) In this section references to ^{F50} . . . a company's income from patents are references to that income after any allowance has been deducted from or set off against it under section ^{F50} . . . 480 of the Capital Allowances Act.]
- (4) ^{F45}

Textual Amendments

- F45** S. 528(1)(4) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 46\(1\)\(4\), Sch. 4](#)
- F46** S. 528(2) 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. 205\(2\), Sch. 3](#) (with [Sch. 2](#))
- F47** Words in s. 528(2)(3) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 46\(2\)](#)
- F48** Words in s. 528(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. 205\(3\), Sch. 3](#) (with [Sch. 2](#))
- F49** S. 528(3A) inserted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 46\(3\)](#)
- F50** Words in s. 528(3A) 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. 205\(4\), Sch. 3](#) (with [Sch. 2](#))

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Marginal Citations

M8 Source-1970 s.385; 1985 s.64(2)(d)-(f)

529 Patent income to be earned income in certain cases.

F51

Textual Amendments

F51 S. 529 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. 206, Sch. 3](#) (with Sch. 2)

530 Disposal of know-how.

F52

Textual Amendments

F52 S. 530 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 47, Sch. 4](#)

531 Provisions supplementary to section 530.

(1) ^{M9}Subject to subsection (7) below, where, after 19th March 1968, [^{F53}a company] disposes of know-how which has been used in a trade carried on by [^{F54}the company], and continues to carry on the trade after the disposal, the amount or value of any consideration received by [^{F54}the company] for the disposal shall—

- (a) if it is received in respect of the disposal of know-how after 31st March 1986, so far as it is not brought into account [^{F55}as a disposal value under section 462 of the Capital Allowances Act], nor is chargeable to [^{F56}corporation tax] as a revenue or income receipt;
- (b) in any other case, so far as it is not chargeable to [^{F56}corporation tax] as a revenue or income receipt,

be treated for [^{F57}the purposes of corporation tax] as a trading receipt.

[^{F58}(2) Subject to subsection (3) below, where—

- (a) a person carrying on a trade receives consideration for the disposal of know-how which has been used in the trade, and
- (b) the know-how is disposed of as part of the disposal of all or part of the trade, the consideration shall for the purposes of corporation tax be treated as a payment for goodwill in relation both to the person making the disposal and to the person acquiring the know-how (if that person provided the consideration).]

(3) Subsection (2) above shall not apply—

- (a) [^{F59}if, in the case of the person disposing of the know-how being within the charge to corporation tax, that person and the person acquiring the know-how (whether or not within the charge to corporation tax) elect for that subsection not to apply] by notice given jointly to the inspector within two years of the disposal, or

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- (b) to the person acquiring the know-how if the trade in question was, before the acquisition, carried on wholly outside the United Kingdom;

^{F60}

[^{F61}(3A) If—

- (a) an election is made under section 194 of ITTOIA 2005 (provision corresponding to subsections (2) and (3) of this section for the purposes of income tax), and
- (b) the person making the acquisition mentioned in that section is within the charge to corporation tax,

the persons making the election under that section are treated as also making an election under subsection (3) of this section (even though the person disposing of the know-how is not within the charge to corporation tax).]

- (4) ^{M10}Subject to subsections (5) and (7) below, any consideration received by a [^{F62}company] for the disposal of know-how shall—

- (a) if it is received in respect of the disposal of know-how after 31st March 1986 and is not brought into account [^{F63}as a disposal value under section 462 of the Capital Allowances Act], or
- (b) if it is neither chargeable to [^{F64}corporation tax] under subsection (1) above or otherwise as a revenue or income receipt, nor dealt with in relation to [^{F65}the company] as a payment for goodwill as mentioned in subsection (2) above, (whether the disposal took place before or after 31st March 1986),

be treated as a profit or gain chargeable to [^{F64}corporation tax] under Case VI of Schedule D.

- (5) ^{M11}Where the [^{F66}company] concerned has incurred expenditure wholly and exclusively in the acquisition or disposal of the know-how, the amount which would apart from this subsection be treated as a profit or gain chargeable to [^{F67}corporation tax] under Case VI of Schedule D shall be reduced by the amount of that expenditure; but a deduction shall not be twice made in respect of the same expenditure, whether under this subsection or otherwise.

(6) ^{F68}

- (7) Subsections (1) and (3) to [^{F69}(5)] above ^{F70} . . . shall not apply on any sale of know-how where the buyer is a body of persons over whom the seller has control, or the seller is a body of persons over whom the buyer has control, or both the seller and the buyer are bodies of persons and some other person has control over both of them; and subsection (2) above shall apply in any such case with the omission of the words “Subject to subsection (3) below”.

In this subsection references to a body of persons include references to a partnership.

- (8) ^{M12}Where in connection with any disposal of know-how a person gives an undertaking (whether absolute or qualified, and whether legally valid or not) the tenor or effect of which is to restrict his or another’s activities in any way, any consideration received in respect of the giving of the undertaking or its total or partial fulfilment shall be treated for the purposes of this section as consideration received for the disposal of the know-how.

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Textual Amendments

- F53** Words in s. 531(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. 207\(2\)\(a\)](#) (with [Sch. 2](#))
- F54** Words in s. 531(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. 207\(2\)\(b\)](#) (with [Sch. 2](#))
- F55** Words in s. 531(1) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 48\(1\)](#)
- F56** Words in s. 531(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. 207\(2\)\(c\)](#) (with [Sch. 2](#))
- F57** Words in s. 531(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. 207\(2\)\(d\)](#) (with [Sch. 2](#))
- F58** [S. 531\(2\)](#) 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. 207\(3\)](#) (with [Sch. 2](#))
- F59** Words in s. 531(3)(a) 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. 207\(4\)](#) (with [Sch. 2](#))
- F60** Words in s. 531(3) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 48\(2\)](#), [Sch. 4](#)
- F61** [S. 531\(3A\)](#) 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. 207\(5\)](#) (with [Sch. 2](#))
- F62** Word in s. 531(4) 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. 207\(6\)\(a\)](#) (with [Sch. 2](#))
- F63** Words in s. 531(4)(a) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 48\(3\)](#)
- F64** Words in s. 531(4) 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. 207\(6\)\(c\)](#) (with [Sch. 2](#))
- F65** Words in s. 531(4)(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. 207\(6\)\(b\)](#) (with [Sch. 2](#))
- F66** Word in s. 531(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. 207\(7\)\(a\)](#) (with [Sch. 2](#))
- F67** Words in s. 531(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. 207\(7\)\(b\)](#) (with [Sch. 2](#))
- F68** [S. 531\(6\)](#) 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. 207\(8\)](#), [Sch. 3](#) (with [Sch. 2](#))
- F69** Word in s. 531(7) 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. 207\(9\)](#) (with [Sch. 2](#))
- F70** Words in s. 531(7) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 48\(4\)](#), [Sch. 4](#)

Modifications etc. (not altering text)

- C2** [S. 531\(2\)\(7\)](#) excluded (8.11.1995) by [Atomic Energy Authority Act 1995 \(c. 37\)](#), [Sch. 3 para. 19\(2\)](#)

Marginal Citations

- M9** Source-1970 s.386(2); 1985 s.65(3)(a)
- M10** Source-1970 s.386(4); 1985 s.65(3)(b)
- M11** Source-1970 s.386(4)-(6)
- M12** Source-1970 s.386(8); 1985 Sch.18 Part II 8

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[^{F71}532 Application of Capital Allowances Act

The [^{F72}Corporation Tax Acts] have effect as if sections 524 to [^{F73}528] and 531, this section and section 533 were contained in the Capital Allowances Act.]

Textual Amendments

- F71** S. 532 substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 49](#)
- F72** Words in s. 532 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. 109](#) (with [Sch. 2](#))
- F73** Words in s. 532 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. 208](#) (with [Sch. 2](#))

533 Interpretation of sections 520 to 532.

- (1) ^{M13}In [^{F74}sections 524 to [^{F75}528]]—
 - [^{F76}“income from patents” means—
 - (a) any royalty or other sum paid in respect of the use of a patent; and
 - (b) any amount on which tax is payable for any accounting period by virtue of section 524 or 525 above or section 472(5) of, or paragraph 100 of Schedule 3 to, the Capital Allowances Act,

but does not include any amount chargeable to income tax.]

^{F77}
.....
“patent rights” means the right to do or authorise the doing of anything which would, but for that right, be an infringement of a patent;
“United Kingdom patent” means a patent granted under the laws of the United Kingdom.
- (2) Subject to subsection (3) below, in [^{F74}sections 524 to [^{F78}528]] any reference to the sale of part of patent rights includes a reference to the grant of a licence in respect of the patent in question, and any reference to the purchase of patent rights includes a reference to the acquisition of a licence in respect of a patent.
- (3) If a licence granted by a person entitled to any patent rights is a licence to exercise those rights to the exclusion of the grantor and all other persons for the whole of the remainder of the term for which the right subsists, the grantor shall be treated for the purposes of [^{F74}sections 524 to [^{F78}528]] as thereby selling the whole of the rights.
- (4) Where, under sections 46 to 49 of the Patents Act 1949 [^{F79}, sections 55 to 59 of the Patents Act 1977] or any corresponding provisions of the law of any country outside the United Kingdom, an invention which is the subject of a patent is made, used, or exercised or vended by or for the service of the Crown or the government of the country concerned, [^{F74}sections 524 to [^{F78}528]] shall have effect as if the making, user, exercise or vending of the invention had taken place in pursuance of a licence, and any sums paid in respect thereof shall be treated accordingly.
- (5) Expenditure incurred in obtaining a right to acquire in the future patent rights as respects any invention in respect of which the patent has not yet been granted shall be deemed for all the purposes of [^{F74}sections 524 to [^{F78}528]] to be expenditure on the purchase of patent rights, and if the patent rights are subsequently acquired the

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expenditure shall be deemed for those purposes to have been expenditure on the purchase of those rights.

- (6) Any sum received from a person which by virtue of subsection (5) above is deemed to be expenditure incurred by him on the purchase of patent rights shall be deemed to be proceeds of a sale of patent rights.
- (7) ^{M14}In [^{F80}section 531]“know-how” means any industrial information and techniques likely to assist in the manufacture or processing of goods or materials, or in the working of a mine, oil-well or other source of mineral deposits (including the searching for, discovery or testing of deposits or the winning of access thereto), or in the carrying out of any agricultural, forestry or fishing operations.

Textual Amendments

F74 Words in ss. 533(1)-(5) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 50\(1\)](#)

F75 Words in s. 533(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. 209\(2\)\(a\)](#) (with Sch. 2)

F76 S. 533(1): definition of "income from patents" 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. 209\(2\)\(b\)](#) (with Sch. 2)

F77 Words in s. 533(1) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 4\), Sch. 2 para. 50\(2\)\(b\), Sch. 4](#)

F78 Words in s. 533(2)-(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. 209\(3\)](#) (with Sch. 2)

F79 Words in s. 533(4) inserted (with retrospective effect) by [Finance Act 1988, Sch. 13 Pt. 1 paras. 5, 1](#)

F80 Words in s. 533(7) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 50\(3\)](#)

Marginal Citations

M13 [Source-1970 s.388; 1985 s.64\(2\)\(g\)](#)

M14 [Source-1970 s.386\(8\); 1985 Sch.18 Part II 8](#)

Copyright and public lending right

534 Relief for copyright payments etc.

^{F81}

Textual Amendments

F81 S. 534 repealed (with effect in accordance with s. 71(3) of the repealing Act) by [Finance Act 2001 \(c. 9\), Sch. 33 Pt. 2\(6\)](#)

535 Relief where copyright sold after ten years or more.

^{F82}

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Textual Amendments

F82 S. 535 repealed (with effect in accordance with s. 71(3) of the repealing Act) by [Finance Act 2001](#) (c. 9), [Sch. 33 Pt. 2\(6\)](#)

536 Taxation of royalties where owner abroad.

F83

Textual Amendments

F83 Ss. 536, 537, 537B 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. 110](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

537 Public lending right.

F84

Textual Amendments

F84 Ss. 536, 537, 537B 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. 110](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

f^{F85} Designs

Textual Amendments

F85 Ss. 537A, 537B and preceding cross-heading inserted (1.8.1989) by [Intellectual Property Act 1988](#) (c. 48), [Sch. 7 para. 36\(6\)](#); S.I. 1989/816, [art. 2](#)

537A Relief for payments in respect of designs.

F86

Textual Amendments

F86 S. 537A repealed (with effect in accordance with s. 71(3) of the repealing Act) by [Finance Act 2001](#) (c. 9), [Sch. 33 Pt. 2\(6\)](#)

537B Taxation of design royalties where owner abroad.

F87]

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Textual Amendments

- F87** Ss. 536, 537, 537B 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. 110](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

Artists' receipts

538 Relief for painters, sculptors and other artists.

F88

Textual Amendments

- F88** S. 538 repealed (with effect in accordance with s. 71(3) of the repealing Act) by [Finance Act 2001 \(c. 9\)](#), [Sch. 33 Pt. 2\(6\)](#)

CHAPTER II

LIFE POLICIES, LIFE ANNUITIES AND CAPITAL REDEMPTION POLICIES

Modifications etc. (not altering text)

- C3** Pt. 13 Ch. 2 restricted (with effect in accordance with s. 105(1) of the affecting Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 13 para. 3\(2\)](#) (with [Sch. 13 para. 16](#))
- C4** Pt. 13 Ch. 2 applied (with modifications) (6.4.1999) by [The Individual Savings Account Regulations 1998 \(S.I. 1998/1870\)](#), [regs. 35\(7\)](#), [36\(3\)-\(7\)](#) (as amended by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#)), [reg. 12](#)
- C5** Pt. 13 Ch. 2 applied (with modifications) (6.4.1999 with effect in accordance with reg. 1 of the affecting S.I.) by [The Personal Portfolio Bonds \(Tax\) Regulations 1999 \(S.I. 1999/1029\)](#), [reg. 6\(2\)-\(8\)](#) (as amended (6.4.2002) by [The Personal Portfolio Bonds \(Tax\) \(Amendment\) Regulations 2002 \(S.I. 2002/455\)](#)), [regs. 1, 2](#))
- C6** Pt. 13 Ch. 2 modified (9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(1)(3), [Sch. 34 para. 3](#)
- C7** Pt. 13 Ch. 2 modified (9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(1)(3), [Sch. 34 para. 15](#)
- C8** Pt. 13 Ch. 2 modified (6.4.2005) by [The Child Trust Funds Regulations 2004 \(S.I. 2004/1450\)](#), [regs. 1, 2\(1\)](#), [38\(3\)-\(8\)](#); S.I. 2004/3369, [art. 2\(1\)](#)
- C9** Pt. 13 Ch. 2 modified (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 7 para. 14\(5\)-\(7\)](#)
- C10** Pt. 13 Ch. 2 modified (with effect in accordance with [Sch. 13 para. 5](#) of the modifying Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 13 para. 6](#)

539 Introductory.

- (1) ^{M15}This Chapter shall have effect for the purposes of imposing, in the manner and to the extent therein provided, charges to [^{F89}corporation tax]^{F90} . . . in respect of gains to be treated in accordance with this Chapter as arising in connection with policies of life insurance, contracts for life annuities and capital redemption policies.
- (2) ^{M16}Nothing in this Chapter shall apply—

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- (a) to any policy of life insurance having as its sole object the provision on an individual's death or disability of a sum substantially the same as any amount then outstanding under a mortgage of his residence, or of any premises occupied by him for the purposes of a business, being a mortgage the principal amount secured by which is repayable by instalments payable annually or at shorter regular intervals; or
- [^{F91}(b) to any policy of insurance which constitutes, or is issued or held in connection with, a registered pension scheme; or]
- [^{F92}(e) to any group life policy having as its sole object the provision, on the death or disability of any of the individuals insured under the policy, of a sum substantially the same as any amount then outstanding under a loan made by a credit union to that individual; or
- (f) to any group life policy with respect to which the conditions in section 539A are satisfied (“an excepted group life policy”).]

In the application of this subsection to Scotland, for the reference to a mortgage there shall be substituted a reference to a heritable security within the meaning of the ^{M17}Conveyancing (Scotland) Act 1924 (but including a security constituted by ex facie absolute disposition or assignation).

(3) ^{M18}In this Chapter—

“assignment”, in relation to Scotland, means an assignation;

“capital redemption policy” means any [^{F93}contract] effected in the course of a capital redemption business [^{F94}, within the meaning of Chapter 1 of Part 12];

[^{F95}“charitable trust” means any trust established for charitable purposes only;]

[^{F96}“credit union” means a society registered as a credit union under the Industrial and Provident Societies Act 1965 or the Credit Unions (Northern Ireland) Order 1985;]

[^{F97}“excepted group life policy” shall be construed in accordance with subsection (2)(f) above;]

[^{F98F99}“friendly society” means the same as in the Friendly Societies Act 1992 (and includes any society that by virtue of section 96(2) of that Act is to be treated as a registered friendly society within the meaning of that Act);]

[^{F98}“group life policy” means a policy of life insurance whose terms provide—

- (a) for the payment of benefits on the death of more than one individual; and
- (b) for those benefits to be paid on the death of each of those individuals;]

[^{F100}“life annuity” means—

- (a) any annuity to which section 656 (as read with section 657) applies, or
- (b) any annuity that—

- (i) is a purchased life annuity for the purposes of Chapter 7 of Part 4 of ITTOIA 2005 (see section 423 of that Act), and

- (ii) is not specified in section 718 of that Act (annuities the payments under which are not within section 717 of that Act (exemption for part of purchased life annuity payments));]

[^{F101}“non-charitable trust” means any trust other than a charitable trust.]

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- [^{F102}(3A) References in this Chapter to assignment of the whole of, or assignment of part of or a share in, the rights conferred by a policy or contract shall, in any case where section 546A applies, be construed in accordance with that section.]
- (4) ^{M19}For the purposes of this Chapter the falling due of a sum payable in pursuance of a right conferred by a policy or contract to participate in profits shall be treated as the surrender of rights conferred by the policy or contract.
- (5) ^{M20}This Chapter shall have effect only as respects policies of life insurance issued in respect of insurances made after 19th March 1968, contracts for life annuities entered into after that date, and capital redemption policies effected after that date.
- (6) A policy of life insurance issued in respect of an insurance made on or before 19th March 1968 shall be treated for the purposes of subsection (5) above and the following provisions of this Chapter as issued in respect of one made after that date if it is varied after that date so as to increase the benefits secured or to extend the term of the insurance.
- (7) A variation effected before the end of the year 1968 shall be disregarded for the purposes of subsection (6) above if its only effect was to bring into conformity with paragraph 2 of Schedule 9 to the Finance Act 1968 (which is re-enacted, as amended, by paragraph 2 of Schedule 15 to this Act) a policy previously conforming therewith except as respects the amount guaranteed on death, and no increase was made in the premiums payable under the policy.
- (8) ^{F103}
- [^{F104}(9) A policy of life insurance issued in respect of an insurance made before 14th March 1989 shall be treated for the purposes of sections 540(5A), 547(8) and 548(3A) as issued in respect of one made on or after that date if it is varied on or after that date so as to increase the benefits secured or to extend the term of the insurance; and any exercise of rights conferred by the policy shall be regarded for this purpose as a variation.]

Textual Amendments

- F89** Words in s. 539(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. 210\(2\)](#) (with [Sch. 2](#))
- F90** Words in s. 539(1) repealed (with effect in accordance with [Sch. 17 Pt. 5 Note 6](#) of the repealing Act) by [Finance Act 1989 \(c. 26\)](#), [Sch. 17 Pt. 5](#)
- F91** S. 539(2)(b) substituted for s. 539(2)(b)-(d) (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 35 para. 25](#) (with [Sch. 36](#))
- F92** S. 539(2)(e)(f) and preceding word added (9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(1)(3), [Sch. 34 para. 1\(2\)](#)
- F93** S. 539(3): word in definition of "capital redemption policy" substituted (with effect in accordance with s. 168(6) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), s. 168(4)
- F94** S. 539(3): words in definition of "capital redemption policy" substituted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 7 para. 45](#) (with [Sch. 7 Pt. 2](#))
- F95** S. 539(3): definition of "charitable trust" inserted (9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(1)(3), [Sch. 34 para. 6](#)
- F96** S. 539(3): definition of "credit union" inserted (9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(1)(3), [Sch. 34 para. 1\(3\)](#)
- F97** S. 539(3): definition of "excepted group life policy" inserted (9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(1)(3), [Sch. 34 para. 1\(3\)](#)

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- F98** S. 539(3): definition of "group life policy" inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 1(3)**
- F99** S. 539(3): definition of "friendly society" inserted (19.2.1993) by Finance (No. 2) Act 1992 (c. 48), s. 56, **Sch. 9 para.15**; S.I. 1993/236, **art. 2**
- F100** S. 539(3): definition of "life annuity" 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. 210(3)** (with Sch. 2)
- F101** S. 539(3): definition of "non-charitable trust" inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 6**
- F102** S. 539(3A) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 2**
- F103** S. 539(8) 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. 210(4), Sch. 3** (with Sch. 2)
- F104** S. 539(9) inserted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 2**

Marginal Citations

- M15** Source-1970 s.393(1); 1971 Sch.6 41; 1972 Sch.24 23
- M16** Source-1970 s.393(2)(a), (c); 1971 Sch.3 11
- M17** 1924 c. 27.
- M18** Source-1970 s.393(3); 1985 s.41(8) 56, Sch. 9 para. 15
- M19** Source-1975 Sch.2 15
- M20** Source-1970 s.393(4), (5)

[^{F105}539ZA] Application of this Chapter etc. to policies and contracts in which persons other than companies are interested

- (1) This section applies where, for the purposes of determining the application of this Chapter in relation to a policy or contract at any time, it is necessary to have regard to its application at another time.
- (2) It makes no difference to the application of this Chapter at that other time whether liability in respect of a gain arising at that time would have arisen or (as the case may be) would arise because of the application of this Chapter or Chapter 9 of Part 4 of ITTOIA 2005 (which makes provision for income tax purposes corresponding to that made by this Chapter).
- (3) References in this section to this Chapter include references to paragraph 20 of Schedule 15 to this Act and section 79 of the Finance Act 1997 (payments under certain life insurance policies).]

Textual Amendments

- F105** S. 539ZA 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. 211** (with Sch. 2)

[^{F106}539A] The conditions for being an excepted group life policy

- (1) The conditions mentioned in section 539(2)(f) (excepted group life policies) are those set out in the following provisions of this section.

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.

Changes to legislation: Income and Corporation Taxes Act 1988, PART XIII is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (2) Condition 1 is that under the terms of the policy a sum or other benefit of a capital nature is payable or arises on the death of each of the individuals insured under the policy who dies without attaining an age which is specified in the policy and is not greater than 75 years.

In determining whether this condition is satisfied, disregard any terms of the policy which exclude from benefit the death of a person in specified circumstances, if the exclusion applies in relation to death in those circumstances in the case of each of the individuals insured under the policy.

- (3) Condition 2 is that under the terms of the policy—
- (a) the same method is to be used for calculating the sums or other benefits of a capital nature payable or arising on each death, and
 - (b) if there is any limitation on those sums or other benefits, the limitation is the same in the case of any death.
- (4) Condition 3 is that the policy does not have, and is not capable of having, on any day—
- (a) a surrender value that exceeds the proportion of the premiums paid which, on a time apportionment, is referable to the unexpired paid-up period beginning with that day, or
 - (b) if there is no such period, any surrender value.

For the purposes of this subsection the unexpired paid-up period beginning with any day is the period (if any) which—

- (i) begins with that day, and
- (ii) ends with the earliest subsequent day on which—
 - (a) a payment of premium falls due under the policy, or
 - (b) the term of the policy ends.

- (5) Condition 4 is that no sums or other benefits may be paid or conferred under the policy, except as mentioned in condition 1 or condition 3.
- (6) Condition 5 is that any sums payable or other benefits arising under the policy must (whether directly or indirectly) be paid to or for, or conferred on, or applied at the direction of—
- (a) an individual or charity beneficially entitled to them, or
 - (b) a trustee or other person acting in a fiduciary capacity who will secure that the sums or other benefits are paid to or for, or conferred on, or applied in favour of, an individual or charity beneficially.

In this subsection “charity” means any body of persons or trust established for charitable purposes only.

- (7) Condition 6 is that no person—
- (a) who is an individual whose life is insured under the policy, or
 - (b) who is, within the meaning of section 839, connected with an individual whose life is so insured,

may, by virtue of a group membership right relating to that individual, receive (directly or indirectly) any death benefit in respect of another group member.

In this subsection—

- (i) “group membership right”, in relation to an individual, means any right (including the right of any person to be considered by trustees in their exercise

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- of a discretion) that is referable to that individual's being one of the individuals whose lives are insured by the policy; and
- (ii) “death benefit in respect of another group member” means—
- (a) any sums or other benefits payable or arising under the policy on the death of any other of those individuals, or
 - (b) anything representing any such sums or benefits.
- (8) Condition 7 is that a tax avoidance purpose is not the main purpose, or one of the main purposes, for which a person is at any time—
- (a) the holder, or one of the holders, of the policy, or
 - (b) the person, or one of the persons, beneficially entitled under the policy.
- In this subsection—
- (i) “tax avoidance purpose” means any purpose that consists in securing a tax advantage (whether for the holder of the policy or any other person); and
 - [^{F107}(ii) “tax advantage” has the meaning given by section 840ZA].]

Textual Amendments

F106 S. 539A inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), Sch. 34 para. 2

F107 S. 539A(8)(ii) 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. 111 (with Sch. 2)

540 Life policies: chargeable events.

- (1) ^{M21} Subject to the provisions of this section, in this Chapter “chargeable event” means, in relation to a policy of life insurance—
- (a) if it is not a qualifying policy, any of the following—
 - (i) any death giving rise to benefits under the policy;
 - (ii) the maturity of the policy;
 - (iii) the surrender in whole of the rights conferred by the policy;
 - (iv) the assignment for money or money's worth of those rights; and
 - (v) [^{F108}subject to section 546B(3)(a),] an excess of the reckonable aggregate value mentioned in subsection (2) of section 546 over the allowable aggregate amount mentioned in subsection (3) of that section, being an excess occurring at the end of any year (as defined in subsection (4) of that section) except, if it ends with another chargeable event, the final year; and
 - (b) if it is a qualifying policy (whether or not the premiums thereunder are eligible for relief under section 266), any of the above events, but—
 - (i) in the case of death or maturity, only if the policy is converted into a paid-up policy before the expiry of ten years from the making of the insurance, or, if sooner, of three-quarters of the term for which the policy is to run if not ended by death or disability;
 - (ii) in the case of a surrender or assignment or [^{F109}(subject to section 546B(3)(a))] such an excess as is mentioned in paragraph (a) (v) above, only if it is effected or occurs within that time, or the policy has been converted into a paid-up policy within that time.
- (2) ^{F110}

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- (3) ^{M22}Except as provided by section 544, no event is a chargeable event in relation to a policy issued in respect of an insurance made before 26th June 1982 if the rights conferred by the policy have at any time before that date and before the event been assigned for money or money's worth and are not at the time of the event held by the original beneficial owner.
- (4) ^{M23}No account shall be taken for the purposes of [^{F111}subsections (1) and (3) above] of any assignment effected by way of security for a debt, or on the discharge of a debt secured by the rights or share concerned, or of any assignment between spouses living together [^{F112}or between civil partners living together].
- (5) Where subsection (1)(b) applies to a policy which has been varied so as to increase the premiums payable thereunder, it shall so apply as if the references in subsection (1) (b)(i) to the making of the insurance and the term of the policy were references respectively to the taking effect of the variation and the term of the policy as from the variation.
- [^{F113}(5A) Sub-paragraphs (i) and (ii) of subsection (1)(b) above shall not apply in relation to a policy issued in respect of an insurance made on or after 14th March 1989 if, immediately before the happening of the event, the rights conferred by the policy were in the beneficial ownership of a company, or were held on trusts created, or as security for a debt owed, by a company.]
- (6) ^{M24}This section has effect subject to paragraph 20 of Schedule 15.

Textual Amendments

- F108** Words in s. 540(1)(a)(v) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 3(2)**
- F109** Words in s. 540(1)(b)(ii) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 3(3)**
- F110** S. 540(2) repealed (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), Sch. 34 para. 14(1), **Sch. 43 Pt. 3(13)**, Note 2 (with Sch. 34 para. 15)
- F111** Words in s. 540(4) substituted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 3(2)**
- F112** Words in s. 540(4) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), **regs. 1(1), 75**
- F113** S. 540(5A) inserted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 3(3)**

Marginal Citations

- M21** Source-1970 s.394(1), (2); 1975 Sch.2 9(1), (2)
- M22** Source-1970 s.394(4); 1983 s.18(1) 1975 Sch.2 10
- M23** Source-1970 s.394(5), (6); 1975 Sch.2 10
- M24** Source-1982 s.34

541 Life policies: computation of gain.

- (1) ^{M25}On the happening of a chargeable event in relation to any policy of life insurance, there shall be treated as a gain arising in connection with the policy—

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- (a) if the event is a death, the excess (if any) of the surrender value of the policy immediately before the death, plus the amount or value of any relevant capital payments, over the sum of the following—
- (i) the total amount previously paid under the policy by way of premiums; and
 - (ii) the total amount treated as a gain by virtue of paragraph (d) below [F114 or section 546C(7)(b)] on the previous happening of chargeable events;
- (b) if the event is the maturity of the policy, or the surrender in whole of the rights thereby conferred, the excess (if any) of the amount or value of the sum payable or other benefits arising by reason of the event, plus the amount or value of any relevant capital payments, over the sum of the following—
- (i) the total amount previously paid under the policy by way of premiums; and
 - (ii) the total amount treated as a gain by virtue of paragraph (d) below [F114 or section 546C(7)(b)] on the previous happening of chargeable events;
- (c) if the event is an assignment, the excess (if any) of the amount or value of the consideration, plus the amount or value of any relevant capital payments or [F115, subject to subsection (3A) below,] of any previously assigned share in the rights conferred by the policy, over the sum of the following—
- (i) the total amount previously paid under the policy by way of premiums; and
 - (ii) the total amount treated as a gain by virtue of paragraph (d) below [F114 or section 546C(7)(b)] on the previous happening of chargeable events;
- (d) if the event is the occurrence of such an excess as is mentioned in section 540(1)(a)(v), the amount of the excess [F116(subject to section 546B(3)(a))].
- (2) ^{M26}Where, in a case falling within subsection (1)(b) above, a right to periodical payments arises by reason of the event, there shall be treated as payable by reason thereof an amount equal to the capital value of those payments at the time the right arises.
- (3) Where, in a case falling within subsection (1)(c) above, the assignment is between persons who are connected with each other within the meaning of section 839, the assignment shall be deemed to have been made for a consideration equal to the market value of the rights or share assigned.
- [F117(3A) he amount or value of such a previously assigned share as is mentioned in paragraph (c) of subsection (1) above falls to be brought into account for the purposes of that paragraph only where that share was so assigned—
- (a) in a year (as defined in section 546(4)) beginning on or before 5th April 2001; or
 - (b) for money or money's worth in a year (as so defined) beginning on or after 6th April 2001.]
- (4) ^{F118}

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- [^{F119}(4A) Where, immediately before the happening of the chargeable event, the rights conferred by a qualifying endowment policy are held as security for a debt owed by a company, then, if—
- (a) the conditions in subsection (4B) below are satisfied,
 - (b) the amount of the debt exceeds the total amount previously paid under the policy by way of premiums, and
 - (c) the company makes a claim for the purpose within two years after the end of the accounting period in which the chargeable event happens,
- this section shall have effect as if the references in subsection (1)(a) and (b) to that total amount were references to the amount of the debt.
- (4B) The conditions referred to in subsection (4A) above are—
- (a) that, throughout the period beginning with the making of the insurance and ending immediately before the happening of the chargeable event, the rights conferred by the policy have been held as security for a debt owed by the company;
 - (b) that the capital sum payable under the policy in the event of death during the term of the policy is not less than the amount of the debt when the insurance was made;
 - (c) that any sum payable under the policy by reason of the chargeable event is applied in repayment of the debt (except to the extent that its amount exceeds the amount of debt);
 - (d) that the debt was incurred to defray money applied—
 - (i) in purchasing an estate or interest in land to be occupied by the company for the purposes of a trade carried on by it, or
 - (ii) for the purpose of the construction, extension or improvement (but not the repair or maintenance) of buildings which are or are to be so occupied.
- (4C) If the amount of the debt is higher immediately before the happening of the chargeable event than it was at some earlier time during the period mentioned in subsection (4B) (a) above, the amount to be taken into account for the purposes of subsection (1) above shall be the lowest amount at which it stood during that period.
- (4D) If during the period mentioned in subsection (4B)(a) above the company incurs a debt by borrowing in order to repay another debt, subsections (4B) and (4C) above shall have effect as if, where appropriate, references to either debt included references to the other.]
- (5) ^{M27}In this section—
- (a) “relevant capital payments” means, in relation to any policy, any sum or other benefit of a capital nature, other than one attributable to a person’s disability, paid or conferred under the policy before the happening of the chargeable event; and
 - (b) references in this subsection and (in relation to premiums) in subsection (1) above to “the policy” include references to any related policy, that is to say, to any policy in relation to which the policy is a new policy within the meaning of paragraph 17 of Schedule 15, and any policy in relation to which that policy is such a policy, and so on; [^{F120}and
 - (c) “qualifying endowment policy” means a policy which is a qualifying policy by virtue of paragraph 2 of Schedule 15;]

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and the provisions of this section are subject to paragraph 20 of Schedule 15.

- (6) There shall be disregarded for the purposes of this section any amount which was treated under section 72(9) of the ^{M28}Finance Act 1984 as an additional premium.

Textual Amendments

- F114** Words in s. 541(1)(a)(ii)(b)(ii)(c)(ii) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 4(2)**
- F115** Words in s. 541(1)(c) inserted (with effect in accordance with s. 87(11) of the amending Act) by Finance Act 2002 (c. 23), **s. 87(3)**
- F116** Words in s. 541(1)(d) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 4(3)**
- F117** S. 541(3A) inserted (with effect in accordance with s. 87(11) of the amending Act) by Finance Act 2002 (c. 23), **s. 87(4)**
- F118** S. 541(4) repealed (with effect in accordance with s. 83(2) of the repealing Act) by Finance Act 2001 (c. 9), Sch. 28 para. 4(4), **Sch. 33 Pt. 2(9)**, Note
- F119** S. 541(4A)-(4D) inserted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 4(2)**
- F120** S. 541(5)(c) and word inserted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 4(3)**

Modifications etc. (not altering text)

- C11** S. 541 extended (retrospectively and with effect in accordance with s. 79(7)(8) of the extending Act) by Finance Act 1997 (c. 16), **s. 79(3)(b)**

Marginal Citations

- M25** Source-1970 s.395(1); 1975 Sch.2 11(1)
- M26** Source-1970 s.395 (2), (3)
- M27** Source-1970 s.395(4); 1982 s.34; 1975 Sch.2 10
- M28** 1984 c. 43

542 Life annuity contracts: chargeable events.

- (1) ^{M29}Subject to subsections (2) and (3) below, in this Chapter “chargeable event” means, in relation to any contract for a life annuity—
- the surrender in whole of the rights conferred by the contract, or
 - the assignment for money or money’s worth of those rights, or
 - [^{F121}subject to section 546B(3)(a),] an excess of the reckonable aggregate value mentioned in subsection (2) of section 546 over the allowable aggregate amount mentioned in subsection (3) of that section, being an excess occurring at the end of any year (as defined in subsection (4) of that section) except, if it ends with another chargeable event, the final year.
- (2) Where the terms of a contract provide for the payment of a capital sum as an alternative, in whole or in part, to payments by way of annuity, the taking of the capital sum shall be treated for the purposes of this section and section 543 as a surrender in whole or in part of the rights conferred by the contract, and where the terms of the contract provide for the payment of a capital sum on death and the contract was made on or after 10th December 1974, the death shall be treated for those purposes as a surrender in whole of the rights conferred by the contract.

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- (3) ^{M30} Except as provided by section 544, an event referred to in subsection (1) above [^{F122}or section 546C(7)(a)] is not a chargeable event in relation to any contract made before 26th June 1982 if the rights conferred by the contract have at any time before that date and before the event been assigned for money or money's worth and are not at the time of the event held by the original beneficial owner.
- (4) Subsection (4) of section 540 shall, with any necessary modifications, apply for the purposes of this section as it applies for the purposes of that section.

Textual Amendments

F121 Words in s. 542(1)(c) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 5(2)**

F122 Words in s. 542(3) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 5(3)**

Marginal Citations

M29 Source-1970 s.396(1); 396(1); 1975 Sch.2 9(3), 12

M30 Source-1970 s.396(2), (3); 1983 s.18(2); 1975 Sch.2 12

543 Life annuity contracts: computation of gain.

- ^{M31}(1) On the happening of a chargeable event in relation to any contract for a life annuity, there shall be treated as a gain arising in connection with the contract—
- (a) if the event is the surrender in whole of the rights conferred by the contract, the excess (if any) of the amount payable by reason of the event plus the amount or value of any relevant capital payments over the sum of the following—
- (i) the total amount previously paid under the contract, whether by way of premiums or as lump sum consideration, reduced, if before the happening of the event [^{F123}any payments have been made on account of the annuity, by so much of those payments as is determined to be the capital element in them under section 656 of this Act or is exempt under section 717 of ITTOIA 2005; and]
- (ii) the total amount treated as a gain by virtue of paragraph (c) below [^{F124}or section 546C(7)(b)] on the previous happening of chargeable events;
- (b) if the event is an assignment, the excess (if any) of the amount or value of the consideration, plus the amount or value of any relevant capital payments or [^{F125}, subject to subsection (2A) below,] of any previously assigned share in the rights conferred by the contract, over the sum of the following—
- (i) the amount specified paragraph (a)(i) above; and
- (ii) any amount treated as a gain by virtue of paragraph (c) below [^{F124}or section 546C(7)(b)] on the previous happenings of chargeable events;
- (c) if the event is the occurrence of such an excess as is mentioned in section 542(1), the amount of the excess [^{F126}(subject to section 546B(3)(a))].
- (2) Subsection (3) of section 541 shall apply for the purposes of subsection (1) above as it applies for the purposes of subsection (1)(c) of that section, and subsection (4) of that section shall apply for the purposes of this section with the substitution of references to the contract for references to the policy.

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- [^{F127}(2A) The amount or value of such a previously assigned share as is mentioned in paragraph (b) of subsection (1) above falls to be brought into account for the purposes of that paragraph only where that share was so assigned—
- (a) in a year (as defined in section 546(4)) beginning on or before 5th April 2001; or
 - (b) for money or money's worth in a year (as so defined) beginning on or after 6th April 2001.]
- (3) In this section “relevant capital payments” means, in relation to any contract, any sum or other benefit of a capital nature paid or conferred under the contract before the happening of the chargeable event.

Textual Amendments

F123 Words in s. 543(1)(a)(i) 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. 212](#) (with [Sch. 2](#))

F124 Words in s. 543(1)(a)(ii)(b)(ii) inserted (with effect in accordance with s. 83(2) of the amending Act) by [Finance Act 2001 \(c. 9\), Sch. 28 para. 6\(2\)](#)

F125 Words in s. 543(1)(b) inserted (with effect in accordance with s. 87(11) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 87\(6\)](#)

F126 Words in s. 543(1)(c) inserted (with effect in accordance with s. 83(2) of the amending Act) by [Finance Act 2001 \(c. 9\), Sch. 28 para. 6\(3\)](#)

F127 [S. 543\(2A\)](#) inserted (with effect in accordance with s. 87(11) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 87\(7\)](#)

Marginal Citations

M31 Source-1970 s.397; 1975 Sch.2 13

544 Second and subsequent assignment of life policies and contracts.

- (1) ^{M32}In this section “assigned policy” means a policy of life assurance—
- (a) which was issued in respect of an insurance made before 26th June 1982; and
 - (b) the rights conferred by which have been assigned for money or money's worth before that date; and
 - (c) in relation to which an event occurring on or after that date would not, apart from this section, be a chargeable event.
- (2) In this section “assigned contract” means a contract for a life annuity—
- (a) which was made before 26th June 1982; and
 - (b) the rights conferred by which have been assigned for money or money's worth before that date; and
 - (c) in relation to which an event occurring on or after that date would not, apart from this section, be a chargeable event.
- (3) ^{M33}In any case where after 23rd August 1982—
- (a) the rights conferred by an assigned policy or, as the case may be, an assigned contract are again assigned for money or money's worth; or
 - (b) a payment is made by way of premium or as lump sum consideration under the policy or contract; or

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- (c) subject to subsections (5) and (7) below, a sum is lent by or by arrangement with the body issuing the policy or, as the case may be, the body with which the contract was made;
- section 540(3) shall cease to apply to the policy or section 542(3) shall cease to apply to the contract, as the case may be.
- (4)^{M34}No account shall be taken for the purposes of subsection (3)(a) above of any assignment effected by way of security for a debt, or on the discharge of a debt secured by the rights concerned, or of an assignment between spouses living together [^{F128}or between civil partners living together].
- (5)^{M35}Subsection (3)(c) above does not apply unless—
- (a) the policy was issued in respect of an insurance made after 26th March 1974 or, as the case may be, the contract was entered into after that date; and
 - (b) the sum concerned is lent to or at the direction of the individual who, in accordance with subsection (6) below, is at the time of the loan the chargeable individual.
- (6) The individual who is at any time the chargeable individual for the purposes of subsection (5)(b) above shall be determined as follows—
- (a) if at the time the rights conferred by the policy or contract are vested in an individual as beneficial owner or are held on trusts created by an individual (including such trusts as are referred to in [^{F129}section 547A(17)]), that individual is the chargeable individual; and
 - (b) if at that time those rights are held as security for a debt owed by an individual, that individual is the chargeable individual.
- (7) Subsection (3)(c) above does not apply in relation to a policy if—
- (a) it is a qualifying policy; and
 - (b) either interest at a commercial rate is payable on the sum lent or the sum is lent to a full-time employee of the body issuing the policy for the purpose of assisting him in the purchase or improvement of a dwelling-house to be used as his only or main residence.
- (8)^{M36}Where section 540(3) or 542(3) ceases to apply to an assigned policy or assigned contract by virtue of paragraph (c) of subsection (3) above, the lending of the sum concerned shall be regarded for the purposes of the Income Tax Acts (other than that paragraph) as taking place immediately after the time at which section 540(3) or, as the case may be, 542(3) ceases so to apply.

Textual Amendments

F128 Words in s. 544(4) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), [regs. 1\(1\)](#), 76

F129 Words in s. 544(6)(a) 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. 213](#) (with [Sch. 2](#))

Marginal Citations

M32 Source-1983 Sch.4 1

M33 Source-1983 s.18(3), Sch.4 2(1)

M34 Source-1983 Sch.4 2(2)

M35 Source-1983 Sch.4 2(3)

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.
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M36 Source-1983 Sch.4 2(4)

545 Capital redemption policies.

- ^{M37}(1) Subject to subsection (2) below, in this Chapter “chargeable event” means, in relation to a capital redemption policy, any of the following—
- (a) the maturity of the policy, except where the sums payable on maturity are annual payments chargeable [^{F130}—
 - (i) to corporation tax under Schedule D,
 - (ii) to income tax under Part 9 of ITEPA 2003 (pension income) because section 609, 610 or 611 of that Act applies to them (certain employment related annuities), or
 - (iii) to income tax under Chapter 7 of Part 4 (purchased life annuity payments) or Chapter 7 of Part 5 (annual payments not otherwise charged) of ITTOIA 2005;]
 - (b) the surrender in whole of the rights conferred by the policy;
 - (c) the assignment for money or money’s worth of those rights; and
 - (d) [^{F131}subject to section 546B(3)(a),] an excess of the reckonable aggregate value mentioned in subsection (2) of section 546 over the allowable aggregate amount mentioned in subsection (3) of that section, being an excess occurring at the end of any year (as defined in subsection (4) of that section), except, if it ends with another chargeable event, the final year.
- (2) Subsection (4) of section 540 shall apply for the purposes of this section as it applies for purposes of that section.
- (3) The provisions of section 541, except subsection (3), shall, so far as appropriate and subject to subsection (4) below, apply to capital redemption policies as they apply to policies of life assurance.
- (4) Where a chargeable event happens in relation to a capital redemption policy which has previously been assigned for money or money’s worth, section 541 shall have effect in relation thereto as if, for the references to the total amount previously paid under the policy by way of premiums, there were substituted references to the amount or value of the consideration given for the last such assignment, plus the total amount of the premiums paid under the policy since that assignment.

Textual Amendments

- F130** S. 545(1)(a)(i)-(iii) substituted for words in s. 545(1)(a) (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. 214](#) (with Sch. 2)
- F131** Words in s. 545(1)(d) inserted (with effect in accordance with s. 83(2) of the amending Act) by [Finance Act 2001 \(c. 9\), Sch. 28 para. 7](#)

Marginal Citations

- M37** Source-1970 s.398; 1975 Sch.2 14, 9(4)

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.

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546 Calculation of certain amounts for purposes of sections 540, 542 and 545.

- (1)^{M38} For the purposes of sections 540, 542 and 545, there shall be calculated as at the end of each year—
- (a) the value, as at the time of surrender or assignment, of any part of or share in the rights conferred by the policy or contract which—
 - [^{F132}(i)] has been [^{F133}assigned for money or money’s worth, or surrendered,] during the period ending with the end of that year and beginning with the commencement of the first year which falls wholly after 13th March 1975; [^{F134} or
 - (ii) has been assigned otherwise than for money or money’s worth during that period but in a year beginning on or before 5th April 2001;] and
 - (b) the appropriate portion of any payment made up to the end of that period by way of premium or as a lump sum consideration;
- and the appropriate portion of any payment shall be one-twentieth for the year in which it is made, increased by a further one-twentieth for each of the subsequent years, up to a maximum of nineteen, but excluding therefrom any such one-twentieth for any year before that first year.
- (2)^{M39} The reckonable aggregate value referred to in those sections shall be—
- (a) the sum of the values calculated under subsection (1) above; less
 - (b) the sum of the values so calculated for a previous year and brought into account on the previous happening of a chargeable event.
- (3) The allowable aggregate amount referred to in those sections shall be—
- (a) the aggregate of the appropriate portions calculated under subsection (1) above; less
 - (b) the aggregate of the appropriate portions so calculated for a previous year and brought into account on the previous happening of a chargeable event.
- (4)^{M40} In this section “year” means the 12 months beginning with the making of the insurance or contract and any subsequent period of 12 months; except that—
- (a) death, the maturity of the policy or the surrender of the rights conferred by the policy or contract shall be treated as ending the final year; and
 - (b) if the final year would by virtue of paragraph (a) above begin and end in the same year of assessment, the final year and the year preceding it shall together be one year.
- (5) There shall be disregarded for the purposes of this section any amount which was treated under section 72(9) of the ^{M41}Finance Act 1984 as an additional premium.
- [^{F135}(6) Where any part of or share in the rights conferred by a policy or contract is assigned, the value of the part or share, as at the time of the assignment, shall be taken for the purposes of this section to be its surrender value at that time.]

Textual Amendments

F132 Words in s. 546(1)(a) renumbered as s. 546(1)(a)(i) (with effect in accordance with s. 83(2) of the amending Act) by virtue of Finance Act 2001 (c. 9), **Sch. 28 para 8(2)(a)**

F133 Words in s. 546(1)(a) substituted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 8(2)(b)**

F134 S. 546(1)(a)(ii) and preceding word inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 8(2)(c)**

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F135 S. 546(6) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), Sch. 28 para. 8(3)

Marginal Citations

M38 Source-1975 Sch.2 9(5), (8)

M39 Source-1975 Sch.2 9(6), (7)

M40 Source-1975 Sch.2 9(9)

M41 1984 c. 43

[^{F136}546A] Treatment of certain assignments etc involving co-ownership

- (1) This section applies in any case where—
 - (a) as a result of any transaction (the “material transaction”) the whole or part of or a share in the rights conferred by a policy or contract (“the material interest”) becomes beneficially owned by one person or by two or more persons jointly or in common (“the new ownership”);
 - (b) immediately before the material transaction, the material interest was in the beneficial ownership of one person or of two or more persons jointly (“the old ownership”); and
 - (c) at least one person who is a member of the old ownership is also a member of the new ownership.
- (2) In any such case, the material transaction shall, in accordance with the following provisions of this section, be taken for the purposes of this Chapter (other than this section) to be one or more assignments, of part only of the rights conferred by the policy or contract.
- (3) For the purposes of this Chapter (other than this section), the members of the old ownership shall be treated—
 - (a) where the old ownership consists of two or more persons beneficially entitled jointly, as if the material interest had been in their beneficial ownership in equal shares instead of jointly;
 - (b) where the new ownership consists of two or more persons beneficially entitled jointly, as if the result of the material transaction had been that the material interest was in the beneficial ownership of those persons in equal shares instead of jointly; and
 - (c) as if the material transaction had been the assignment by each member of the old ownership of so much (if any) of his old share as exceeds his new share (or, if he does not have a new share, the whole of his old share).
- (4) In this section—

“new share”, in relation to the material interest and a person who is a member of the new ownership, means—

 - (a) if there is only one member of the new ownership, the material interest;
 - (b) if there are two or more members of the new ownership beneficially entitled to the material interest in common, the member’s share in the material interest; or
 - (c) if there are two or more members of the new ownership beneficially entitled to the material interest jointly, the share attributed to the member by subsection (3)(b) above;

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“old share”, in relation to the material interest and a person who is a member of the old ownership, means—

- (a) if there is only one member of the old ownership, the material interest; or
- (b) if there are two or more members of the old ownership, the share attributed to the member by subsection (3)(a) above.]

Textual Amendments

F136 S. 546A inserted (with effect in accordance with s. 83(2) of the amending Act) by [Finance Act 2001](#) (c. 9), [Sch. 28 para. 9](#)

[^{F137} **546B** Special provision in respect of certain section 546 excesses

- (1) This section applies in relation to a policy or contract in any case where—
 - (a) a section 546 excess occurs at the end of any year (including the final year, whether or not ending with a terminal chargeable event); and
 - (b) the condition in subsection (2) below is satisfied in relation to that year.
 [^{F138}This subsection is subject to subsection (1A) below.]

[In the case of a policy which is a qualifying policy (whether or not the premiums under

^{F139}(1A) the policy are eligible for relief under section 266) this section applies only if—

- (a) the section 546 excess occurs within the time described in section 540(1)(b)(i); or
 - (b) the policy has been converted into a paid-up policy within that time.]
- (2) The condition is that—
 - (a) during the year there has been an assignment for money or money’s worth of part of or a share in the rights conferred by the policy or contract; or
 - (b) during the year there has been both—
 - (i) an assignment, otherwise than for money or money’s worth, of the whole or part of or a share in the rights conferred by the policy or contract; and
 - (ii) an earlier surrender of part of or a share in the rights conferred by the policy or contract.

- (3) Where this section applies—
 - (a) the occurrence of the section 546 excess shall be treated for the purposes of this Chapter as not being a chargeable event; but
 - (b) the amount of the section 546 excess shall be charged to tax in accordance with the provisions of section 546C.

- (4) In this section—
 - “final year” has the meaning given by section 546(4);
 - “section 546 excess”, in relation to any year, means an excess, occurring at the end of the year, of—
 - (a) the reckonable aggregate value mentioned in subsection (2) of section 546, over
 - (b) the allowable aggregate amount mentioned in subsection (3) of that section;
 - “terminal chargeable event” means any chargeable event other than—

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- (a) an assignment for money or money's worth of the whole of the rights conferred by the policy or contract;
- (b) the occurrence of a section 546 excess; or
- (c) a chargeable event by virtue of section 546C(7)(a);

“year” has the meaning given by section 546(4).]

Textual Amendments

F137 Ss. 546B-546D inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), Sch. 28 para. 10

F138 Words in s. 546B(1) inserted (with effect in accordance with s. 87(12) of the amending Act) by Finance Act 2002 (c. 23), s. 87(9)

F139 S. 546B(1A) inserted (with effect in accordance with s. 87(12) of the amending Act) by Finance Act 2002 (c. 23), s. 87(10)

[^{F137}546C] Charging the section 546 excess to tax where section 546B applies

- (1) This section applies where, in relation to any policy or contract, the amount of a section 546 excess occurring at the end of any year falls to be charged to tax in accordance with this section by virtue of section 546B(3)(b).
- (2) The following amounts shall be calculated as at the end of that year—
 - (a) the aggregate of the values calculated under section 546(1)(a) in respect of any part of or share in the rights conferred by the policy or contract which has been assigned for money or money's worth, or surrendered, during the year;
 - (b) the amount by which—
 - (i) the reckonable aggregate value mentioned in section 546(2), as at the end of the year, exceeds
 - (ii) the aggregate calculated under paragraph (a) above;
 and
 - (c) the amount by which—
 - (i) the allowable aggregate amount mentioned in section 546(3), as at the end of the year, exceeds
 - (ii) the amount calculated under paragraph (b) above.
- (3) In this section—
 - (a) “relevant transaction” means any assignment for money or money's worth, or any surrender, of a part of or share in the rights conferred by the policy or contract which has happened during the year;
 - (b) “transaction value”, in relation to any relevant transaction, means the value calculated in accordance with section 546(1)(a) in the case of that transaction;
 - (c) “the amount of available premium” means—
 - (i) in relation to the earliest relevant transaction, the amount calculated under subsection (2)(c) above (that amount being taken to be nil if there is no such excess as is there mentioned); and
 - (ii) in relation to each successive relevant transaction, that amount as successively reduced under subsections (5) to (7) below.

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- (4) Subsection (5) below shall apply successively to each of the relevant transactions that happened in the year, in the order in which they happened.

If the year is the final year and ends with a terminal chargeable event, this subsection is subject to section 546D.

- (5) Where this subsection applies in relation to a relevant transaction—
- (a) the transaction value shall be compared to the amount of available premium; and
 - (b) if the amount of available premium exceeds or is equal to the transaction value, subsection (6) below shall apply in relation to the transaction; but
 - (c) if the transaction value exceeds the amount of available premium, subsection (7) below shall apply in relation to the transaction.
- (6) Where this subsection applies in relation to a relevant transaction—
- (a) the amount of available premium shall be reduced (or further reduced) by the transaction value; and
 - (b) that reduction shall have effect in relation to the next subsequent relevant transaction.
- (7) Where this subsection applies in relation to a relevant transaction—
- (a) the relevant transaction shall for the purposes of this Chapter be a chargeable event in relation to the policy or contract, except as provided by sections 540(3) and 542(3);
 - (b) a gain of an amount equal to that by which the transaction value exceeds the amount of available premium shall be treated for the purposes of this Chapter as arising in connection with the policy or contract on the happening of that chargeable event; and
 - (c) in relation to any subsequent relevant transaction, the amount of available premium shall be reduced to nil.
- (8) Where the whole or any part of the amount of any gain treated as arising by subsection (7)(b) above falls to be treated under [^{F140}section 547(1)(b)] as forming part of the income of any [^{F141}company] for—
- (a) ^{F142}.....
 - (b) the accounting period in which [^{F143}the chargeable event in question] happened,
 that ^{F144}... accounting period shall be taken to be the one which includes the end of the year as at which the section 546 excess in question occurs, instead of the one (if different) in which the relevant transaction happened.
- (9) Where this section applies in relation to the final year and that year ends with a terminal chargeable event—
- (a) effect shall be given to this section before applying the provisions of this Chapter in relation to the terminal chargeable event; and
 - (b) in applying this Chapter in relation to the terminal chargeable event, any chargeable event by virtue of subsection (7)(a) above accordingly falls to be regarded as having occurred before the terminal chargeable event.
- (10) This section shall be construed as one with section 546B.]

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Textual Amendments

- F137** Ss. 546B-546D inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 10**
- F140** Words in s. 546C(8) 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. 215(a)** (with Sch. 2)
- F141** Word in s. 546C(8) 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. 215(b)** (with Sch. 2)
- F142** S. 546C(8)(a) and word 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. 215(c), **Sch. 3** (with Sch. 2)
- F143** Words in s. 546C(8)(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. 215(d)** (with Sch. 2)
- F144** Words in s. 546C(8) 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. 215(e), **Sch. 3** (with Sch. 2)

[^{F137}546D] Modifications of s.546C for final year ending with terminal chargeable event

- (1) This section applies in any case where the year mentioned in section 546C(4) is the final year and that year ends with a terminal chargeable event.
- (2) In any such case there shall be calculated, as at the end of the year, the amount of the gain (“the gains limit”) that would have been treated as arising on the happening of the terminal chargeable event, apart from the application of sections 546B and 546C in relation to that year.
- (3) Subsection (5) of section 546C shall apply successively to each of the relevant transactions that happened in the year, in the order in which they happened, unless and until the transaction in question (the “final transaction”) is such that the aggregate of—
 - (a) its transaction value apart from subsection (4) below, and
 - (b) the sum of the transaction values of any relevant transactions to which subsection (5) of that section has previously applied,
 exceeds the gains limit.
- (4) If, in the case of the final transaction,—
 - (a) the aggregate mentioned in subsection (3) above exceeds the gains limit, but
 - (b) the sum mentioned in paragraph (b) of that subsection is less than that limit,
 subsection (5) of section 546C shall apply in relation to that transaction, but for the purposes of subsections (5) to (7) of that section its transaction value shall be reduced to an amount equal to the difference between the gains limit and the sum mentioned in paragraph (b) above.
- (5) Except as provided by subsection (4) above, subsection (5) of section 546C shall not apply in relation to the final transaction or any subsequent relevant transaction.
- (6) This section shall be construed as one with sections 546B and 546C.]

Textual Amendments

- F137** Ss. 546B-546D inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 10**

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547 Method of charging gain to tax.

(1) ^{M42}Where under section 541, 543 [^{F145}, 545 or 546C] a gain is to be treated as arising in connection with any policy or contract—

- (a) ^{F146}
- [^{F147}(b) if, immediately before the happening of [^{F148}the chargeable event in question, the rights conferred by the policy or contract] were in the beneficial ownership of a company, or were held on [^{F149}non-charitable] trusts created, or as security for a debt owed, by a company, the amount of the gain shall be deemed to form part of the company’s income (chargeable under Case VI of Schedule D) for the accounting period in which the event happened;]
- (c) ^{F146}
- [^{F150}(cc) ^{F146}
- [^{F151}(d) ^{F146}
- (e) ^{F146}

[^{F152}(1A) In [^{F153}its] application in relation to a gain which is treated as arising by virtue of section 546C(7)(b), subsection (1) above [^{F154}is] subject to section 546C(8).]

(2) Nothing in subsection (1) above shall apply to any amount which is chargeable to tax apart from that subsection.

(3) ^{F155}

[^{F156}(4) References in subsection (1) above to the rights conferred by a policy or contract are, in the case of an assignment or surrender of only a part of or share in any rights, references to that part or share.]

[^{F157}(4A) ^{F158}

(5) ^{F158}

[^{F159}(5AA) ^{F158}

[^{F160}(5A) ^{F158}

(6) ^{F158}

[^{F161}(6A) ^{F158}

(7) ^{F158}

[^{F162}(7A) ^{F158}

[^{F163}(8) Subsection (1)(b) above shall not have effect as respects—

- (a) a policy of life insurance issued in respect of an insurance made before 14th March 1989,
- (b) a contract for a life annuity made before that date, or
- (c) a capital redemption policy issued in respect of an insurance made before that date, or issued by a company resident in the United Kingdom in respect of an insurance made on or after that date.]

[^{F164}(9) ^{F158}

[^{F165}(9A) [^{F158}

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- (10) ^{F158}
- (11) ^{F158}
- (12) ^{F158}]
- [^{F166}(13)] ^{F158}
- [^{F167}(14)] ^{F158}]

Textual Amendments

- F145** Words in s. 547(1) substituted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 11(2)**
- F146** S. 547(1)(a)(c)-(e) 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. 216(2)**, **Sch. 3** (with Sch. 2)
- F147** S. 547(1)(b) substituted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), Sch. 9 para. 5(3)
- F148** Words in s. 547(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. 216(3)** (with Sch. 2)
- F149** Word in s. 547(1)(b) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 7(3)**
- F150** S. 547(1)(cc) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 7(4)**
- F151** S. 547(1)(d)(e) inserted (with effect in accordance with Sch. 14 para. 7(1)(2)(5) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 14 para. 1(3)**
- F152** S. 547(1A) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 11(3)**
- F153** Word in s. 547(1A) 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. 216(4)(a)** (with Sch. 2)
- F154** Word in s. 547(1A) 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. 216(4)(b)** (with Sch. 2)
- F155** S. 547(3) repealed (with effect in accordance with Sch. 14 para. 7(5) of the repealing Act) by Finance Act 1998 (c. 36), Sch. 14 para. 1(4), **Sch. 27 Pt. 3(19)**, Note
- F156** S. 547(4) substituted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 11(4)**
- F157** S. 547(4A) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 7(8)**
- F158** S. 547(4A)-(7A)(9)-(14) 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. 216(5), **Sch. 3** (with Sch. 2)
- F159** S. 547(5AA) inserted (with effect in accordance with Sch. 14 para. 7(5) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 14 para. 1(7)**
- F160** S. 547(5A) inserted by Finance Act 1991 (c. 31, SIF 63:1), s. 48, **Sch. 7 para. 9(1)**
- F161** S. 547(6A) inserted (with effect in accordance with s. 56(4) of the amending Act) by Finance Act 1995 (c. 4), s. 56(1)
- F162** S. 547(7A) inserted (with effect in accordance with s. 76(6) of the amending Act) by Finance Act 1995 (c. 4), s. 76(2)(b)
- F163** S. 547(8) inserted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 5(3)**
- F164** S. 547(9)-(12) inserted (with effect in accordance with Sch. 14 para. 7(5) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 14 para. 1(8)**
- F165** S. 547(9A) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 7(11)**
- F166** S. 547(9) inserted by Finance Act 1991 (c. 31, SIF 63:1), s. 48, **Sch. 7 para. 9(3)**
- F167** S. 547(14) inserted (with effect in accordance with Sch. 14 para. 7(5) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 14 para. 1(10)**

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Modifications etc. (not altering text)

C12 S. 547: power to modify conferred (with effect in accordance with s. 56(4) of the affecting Act) by Finance Act 1995 (c. 4), s. 56(3)

Marginal Citations

M42 Source-1970 s.399(1); 1972 Sch.24 24

[^{F168}547] **Method of charging gain to tax: multiple interests.**

[^{F169}(1) If—

- (a) immediately before the happening of a chargeable event, two or more persons have relevant interests in the rights conferred by the policy or contract in question, and
- (b) any of those persons is a company,

section 547 shall have effect in relation to each such company as if it had been the only person with a relevant interest in those rights, but with references to the amount of the gain construed as references to the company's proportionate share of the amount of the gain.]

[^{F170}(2) References in this section to the rights conferred by a policy or contract are, in the case of an assignment or surrender of only a part of or share in any rights, references to that part or share.]

(3) For the purposes of this section, a person has a “relevant interest” in the rights conferred by a policy or contract—

- (a) in the case of an individual, if a share in the rights is vested in him as beneficial owner, or is held on [^{F171}non-charitable] trusts created, or as security for a debt owed, by him;
- (b) in the case of a company, if a share in the rights is in the beneficial ownership of the company, or is held on [^{F172}non-charitable] trusts created, or as security for a debt owed, by the company;
- (c) in the case of personal representatives, if a share in the rights is vested in them;
- [^{F173}(cc) in the case of trustees of a charitable trust, if a share in the rights is held by them or as security for a debt owed by them;]
- (d) in the case of trustees [^{F174}of a non-charitable trust]—

(i) if a share in the rights is held by them, and the person who created the trusts is not resident in the United Kingdom or has died or (in the case of a company or foreign institution) has been dissolved or wound up or has otherwise come to an end;

[if a share in the rights is held by them which does not also fall within ^{F175}(ia) paragraph (a), (b) or (c) above or sub-paragraph (i) above; or]

(ii) if a share in the rights is held as security for a debt owed by them;

- (e) in the case of a foreign institution, if a share in the rights is in the beneficial ownership of the foreign institution, or is held as security for a debt owed by the foreign institution.

(4) For the purposes of subsection (1) above, a person’s “proportionate share” of the amount of a gain is that share of it which is proportionate to the share of the rights by reference to which he has the relevant interest in question.

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- (5) Where, immediately before the happening of a chargeable event, the rights conferred by the policy or contract in question are, or a share in those rights is, held as security for one or more debts owed by two or more persons, this section shall effect in relation to the chargeable event as if—
- (a) each of those persons were instead the sole debtor in respect of a separate debt; and
 - (b) the security for that separate debt were the appropriate share of the security for the actual debt or debts (so far as consisting of the rights, or a share in the rights, conferred by the policy or contract);
- and for the purposes of paragraph (b) above the appropriate share, in the case of any person, is a share which is proportionate to that share of the actual debt or, as the case may be, the aggregate of the two or more actual debts, for which he is liable as between the debtors.
- (6) Where, immediately before the happening of a chargeable event, the rights conferred by the policy or contract in question are, or a share in those rights is, held on [^{F176}non-charitable] trusts created by two or more persons, this section shall have effect in relation to that chargeable event as if—
- (a) each of those persons had instead been the sole settlor in relation to a separate share of the rights or share so held; and
 - (b) that separate share were proportionate to the share which originates from him of the whole of the property subject to the trusts immediately before the happening of the chargeable event.
- (7) The reference in subsection (6)(b) above to the share of the property which originates from a person is a reference to the share of the property which consists of—
- (a) property which that person has provided directly or indirectly for the purposes of the trusts;
 - (b) property representing property which that person has so provided; and
 - (c) so much of any property which represents both property so provided and other property as, on a just apportionment, represents the property so provided.
- (8) References in subsection (7) above to property which a person has provided directly or indirectly—
- (a) include references to property which has been provided directly or indirectly by another in pursuance of reciprocal arrangements with the person, but
 - (b) do not include references to property which the person has provided directly or indirectly in pursuance of reciprocal arrangements with another.
- (9) References in subsection (7) above to property which represents other property include references to property which represents accumulated income from that other property.
- (10) Where immediately before the happening of a chargeable event—
- (a) the rights conferred by the policy or contract in question are, or a share in those rights is, held subject to any [^{F177}non-charitable] trusts, and
 - (b) different shares of the whole of the property subject to those trusts originate (within the meaning of subsection (6)(b) above) from different persons,
- the rights or share shall, in relation to that chargeable event, be taken for the purposes of this section to be held on [^{F178}non-charitable] trusts created by those persons.
- (11) Where the rights conferred by a policy or contract are, or an interest in any such rights is, in the beneficial ownership of two or more persons jointly, the rights or interest shall

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be treated for the purposes of this section as if they were in the beneficial ownership of those persons in equal shares.

- (12) A non-fractional interest in the rights conferred by a policy or contract shall be treated for the purposes of this section as if it were instead such a share in those rights as may justly and reasonably be regarded for those purposes as representing the non-fractional interest.
- (13) For the purposes of subsection (12) above, a “non-fractional interest” in the rights conferred by a policy or contract is an interest in some or all of those rights which is not a share in all of those rights (otherwise than by virtue only of subsection (2) above).
- (14) This section applies in a case where the same person has two or more relevant interests in the rights conferred by a policy or contract as it applies in a case where two or more persons have separate relevant interests, unless—
- (a) that person is the only person with a relevant interest in those rights, and
 - (b) he has all the relevant interests in the same capacity,
- in which case section 547 applies.
- (15) In this section—
- [^{F179}“foreign institution” means a person which is a company or other institution resident or domiciled outside the United Kingdom;]
- “personal representatives” has the same meaning as in Part XVI.
- [^{F180}(16) For the purposes of this section, property held for the purposes of a foreign institution shall be regarded as in the beneficial ownership of the foreign institution.
- (17) Any reference in this section to trusts created by an individual includes a reference to trusts arising under—
- (a) section 11 of the Married Women's Property Act 1882;
 - (b) section 2 of the Married Women's Policies of Assurance (Scotland) Act 1880; or
 - (c) section 4 of the Law Reform (Husband and Wife) Act (Northern Ireland) 1964;
- and references to the settlor or to the person creating the trusts shall be construed accordingly.]]

Textual Amendments

- F168** S. 547A inserted (with effect in accordance with Sch. 14 para. 7(5) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 14 para. 2**
- F169** S. 547A(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. 217(2)** (with Sch. 2)
- F170** S. 547A(2) substituted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para 12**
- F171** Word in s. 547A(3)(a) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(2)**
- F172** Word in s. 547A(3)(b) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(3)**
- F173** S. 547A(3)(cc) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(4)**
- F174** Words in s. 547A(3)(d) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(5)**
- F175** S. 547A(3)(d)(ia) substituted for word at the end of s. 547A(3)(d)(i) (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(6)**

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- F176** Word in s. 547A(6) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(7)**
- F177** Word in s. 547A(10)(a) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(8)(a)**
- F178** Word in s. 547A(10) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 8(8)(b)**
- F179** S. 547A(15): definition of "foreign institution" 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. 217(3)** (with Sch. 2)
- F180** S. 547A(16)(17) substituted for s. 547A(16) (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. 217(4)** (with Sch. 2)

548 Deemed surrender of certain loans.

- (1) Where—^{M43}
- [^{F181}(a) a gain arising in connection with a policy or contract would be—
- (i) treated as forming part of the income of a company under section 547(1)(b), or
- (ii) a gain for which an individual is, or any trustees are, liable to tax under Chapter 9 of Part 4 of ITTOIA 2005; and]
- (b) the policy was issued in respect of an insurance made after 26th March 1974 or the contract was made after that date; and
- (c) any sum is at any time after the making of the insurance or contract lent to or at the direction of that individual [^{F182}or company][^{F183}or those trustees] by or by arrangement with the body issuing the policy or, as the case may be, the body with which the contract was made;
- then, subject to [^{F184}subsections (3) and (3A)] below, the same results shall follow under this Chapter as if at the time the sum was lent there had been a surrender of part of the rights conferred by the policy or contract and the sum had been paid as consideration for the surrender.
- (2) If the whole or any part of the sum is repaid the repayment shall be treated, for the purpose of computing any gain arising on the happening, at the end of the final year, of a chargeable event, as a payment of a premium or lump sum consideration.
- (3) Subsections (1) and (2) above do not apply in relation—
- [^{F185}(a) to a policy if it is a qualifying policy and interest at a commercial rate is payable on the sum lent;]
- (b) to a contract if and to the extent that interest on the sum lent is eligible for relief under section 353 by virtue of section 365.
- [^{F186}(3A) Subsections (1) and (2) do not apply where the rights conferred by the policy or contract are in the beneficial ownership of a company, or are held on trusts created, or as security for a debt owed, by a company, if the policy was issued in respect of an insurance made before 14th March 1989 or the contract was made before that date.]
- (4) In this section “final year” has the same meaning as in section 546.

Textual Amendments

- F181** S. 548(1)(a) 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. 218** (with Sch. 2)

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- F182** Words in s. 548(1)(c) inserted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 6(2)(b)**
- F183** Words in s. 548(1)(c) inserted (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), **Sch. 34 para. 9(3)**
- F184** Words in s. 548(1) substituted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 6(2)(c)**
- F185** S. 548(3)(a) substituted (with effect in accordance with Sch. 4 para. 18(3) of the amending Act) by Finance Act 1999 (c. 16), **Sch. 4 para. 16**
- F186** S. 548(3A) inserted (with effect in accordance with Sch. 9 para. 8 of the amending Act) by Finance Act 1989 (c. 26), **Sch. 9 para. 6(3)**

Marginal Citations

- M43** Source-1975 Sch.2 16; 1976 s.35

[^{F187}548A] Effect of rebated or reinvested commission in certain cases

- (1) This section applies if—
 - (a) a relevant chargeable event occurs in respect of a policy or contract,
 - (b) commission in respect of the policy or contract has at any time been rebated or reinvested, and
 - (c) condition A or B is met.
- (2) For the purposes of performing the calculation under section 541(1)(b) or (c) or 543(1)(a) or (b) for the chargeable event, the total amount paid under the policy or contract by way of premiums in any period is to be reduced by the total amount of commission attributable to those premiums that has been rebated or reinvested.
- (3) Condition A is that the total amount paid under the policy or contract by way of premiums in a relevant period exceeds £100,000.
- (4) Condition B is that—
 - (a) at a time when the policy or contract was the taxable person's, the taxable person's policies and contracts exceeded the relevant threshold as respects a relevant period, and
 - (b) payments under the policy or contract by way of premiums were made in that relevant period.
- (5) In subsection (4)(a) “taxable person” means the person whose policy or contract the policy or contract is, immediately before the chargeable event.
- (6) For the purposes of subsection (4)(a) a person's policies and contracts “exceed the relevant threshold” as respects a relevant period if the total amount of payments under them by way of premiums in that relevant period exceeds the sum specified in subsection (3).
- (7) In this section “relevant chargeable event” means a chargeable event within—
 - (a) any of sub-paragraphs (ii) to (iv) of section 540(1)(a) (including those sub-paragraphs as they apply in relation to a qualifying policy),
 - (b) section 542(1)(a) or (b), or
 - (c) section 545(1)(a) to (c).
- (8) In this section “relevant period” means—
 - (a) the period beginning with the beginning of the year of assessment in which the chargeable event occurs and ending with the chargeable event, or

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- (b) any of the 3 preceding years of assessment.
- (9) References in this section to a premium include, in relation to a contract for a life annuity, lump sum consideration.
- (10) The Treasury may by order—
 - (a) substitute another sum for the sum for the time being specified in subsection (3);
 - (b) amend the definition of “relevant period”.]

Textual Amendments

F187 Ss. 548A, 548B inserted (with effect in accordance with s. 29(4) of the amending Act) by Finance Act 2007 (c. 11), s. 29(1)

[^{F187} 548B] Section 548A: further definitions

- (1) This section supplements section 548A.
- (2) “Commission”, in relation to a policy or contract, includes any passing of value to or for the benefit of an intermediary, or a person connected with an intermediary, that can reasonably be taken to represent a reward in respect of the policy or contract.
- (3) Commission in respect of a policy or contract is “reinvested” if, as a result of a waiver of an entitlement to it, there is an increase in the total value of a relevant person's policies and contracts.
- (4) The amount of commission reinvested is the amount of the increase.
- (5) Commission in respect of a policy or contract is “rebated” if—
 - (a) value passes (directly or indirectly) from an intermediary, or a person connected with an intermediary, to or for the benefit of a relevant person (and the passing of value does not amount to the reinvestment of the commission), and
 - (b) the passing of value can reasonably be taken to be in respect of the commission.
- (6) The amount of commission rebated is the amount of value passed.
- (7) A policy or contract is a person's policy or contract if a gain arising in connection with it would be—
 - (a) a gain for which the person, or (if the person is an individual) the person's spouse or civil partner, would be liable to tax under Chapter 9 of Part 4 of ITTOIA 2005, or
 - (b) treated by virtue of section 547(1) above as forming part of the person's income.
- (8) Any necessary apportionment is to be made (on a just and reasonable basis) as regards—
 - (a) commission which is attributable to two or more premiums, and
 - (b) any part of such commission that has been rebated or reinvested.

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- (9) Commission which is in respect of one or more policies or contracts (but is not attributable to particular premiums) is to be attributed to such premiums as is just and reasonable.
- (10) In subsections (3) and (5), “relevant person” means—
- (a) any of the policyholders (including any of the persons who hold the contract),
 - (b) a person who beneficially owns the rights under the policy or contract,
 - (c) if those rights are held on trust, any of the trustees, or
 - (d) a person connected (within the meaning of section 839) with a person within any of paragraphs (a) to (c).
- (11) In subsections (8) and (9), references to a premium include, in relation to a contract for a life annuity, lump sum consideration.]

Textual Amendments

F187 Ss. 548A, 548B inserted (with effect in accordance with s. 29(4) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), s. 29(1)

549 Certain deficiencies allowable as deductions.

F188

Textual Amendments

F188 S. 549 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. 219, **Sch. 3** (with Sch. 2)

550 Relief where gain charged at a higher rate.

F189

Textual Amendments

F189 S. 550 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. 220, **Sch. 3** (with Sch. 2)

551 Right of individual to recover tax from trustees.

F190

Textual Amendments

F190 S. 551 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. 221, **Sch. 3** (with Sch. 2)

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[^{F191} 551A] Right of company to recover tax from trustees.

(1) Where—

- (a) an amount is included in a company's income by virtue of section 547(1)(b), and
- (b) the [^{F192}rights, or the part or share,] in question were held immediately before the happening of the chargeable event on [^{F193}non-charitable trusts],

the company shall be entitled to recover from the trustees, to the extent of any sums, or to the value of any benefits, received by them by reason of the event, the amount (if any) by which T1 exceeds T2.

(2) For the purposes of subsection (1) above—

T1 is the tax with which the company is chargeable for the accounting period in question; and

T2 is the tax with which the company would have been chargeable for the accounting period if the amount mentioned in subsection (1)(a) above had not been included as there mentioned.

(3) A company may require the Board to certify any amount recoverable by the company by virtue of this section, and the certificate shall be conclusive evidence of the amount.]

Textual Amendments

F191 Ss. 551A inserted (with effect in accordance with [Sch. 14 para. 7\(5\)](#) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), [Sch. 14 para. 3](#)

F192 Words in s. 551A(1)(b) substituted (with effect in accordance with s. 83(2) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [Sch. 28 para. 16](#)

F193 Words in s. 551A(1)(b) substituted (9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(1)(3), [Sch. 34 para. 11](#)

[^{F194} 552] Information: duty of insurers.

(1) Where a chargeable event ^{F195} . . . has happened in relation to any policy or contract, the body by or with whom the policy or contract was issued, entered into or effected shall—

- (a) unless satisfied that no gain is to be treated as arising by reason of the event, deliver to the appropriate policy holder before the end of the relevant three month period a certificate specifying the information described in subsection (5) below; and
- (b) if the condition in paragraph (a) or (b) of subsection (2) below is satisfied, deliver to the inspector before the end of the relevant three month period a certificate specifying the information described in subsection (5) below together with the name and address of the appropriate policy holder.

(2) For the purposes of this section—

- (a) the condition in this paragraph is that the event is an assignment for money or money's worth of the whole of the rights conferred by the policy or contract; or
- (b) the condition in this paragraph is that the amount of the gain, or the aggregate amount of the gain and any gains connected with it, exceeds one half of the basic rate limit for the relevant year of assessment.

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- (3) If, in the case of every certificate which a body delivers under subsection (1)(a) above which relates to a gain attributable to a year of assessment (or, where the appropriate policy holder is a company, the corresponding financial year), the body also delivers to the inspector—
- (a) before the end of the relevant three month period for the purposes of subsection (1)(b) above,
 - (b) by a means prescribed by the Board for the purposes of this subsection under section 552ZA(5), and
 - (c) in a form so prescribed in the case of that means,
- a certificate specifying the same information as the certificate under subsection (1)(a) together with the name and address of the appropriate policy holder, the body shall be taken to have complied with the requirements of subsection (1)(b) above in relation to that year of assessment, and the corresponding financial year, so far as relating to the chargeable events to which the certificates relate.
- (4) Where a certificate is not required to be delivered under subsection (1)(b) above in the case of any chargeable event—
- (a) the inspector may by notice require the body to deliver to him a copy of any certificate that the body was required to deliver under subsection (1)(a) above which relates to the chargeable event; and
 - (b) it shall be the duty of the body to deliver such a copy within 30 days of receipt of the notice.
- (5) The information to be given to the appropriate policy holder pursuant to subsection (1)(a) above or the inspector pursuant to subsection (1)(b) above is—
- (a) any unique identifying designation given to the policy or contract;
 - (b) the nature of the chargeable event and—
 - (i) the date on which it happened; and
 - (ii) if it is a chargeable event by virtue of section 546C(7)(a) ^{F196} of this Act and section 514(1) of ITTOIA 2005 (chargeable events where transaction-related calculations show gains), the date on which the year and the insurance year end;
 - (c) if the event is the assignment of all the rights conferred by the policy or contract, such of the following as may be required for computing the amount of the gain to be treated as arising by virtue of this Chapter ^{F197} and Chapter 9 of Part 4 of ITTOIA 2005]—
 - (i) the amount or value of any relevant capital payments ^{F198} and the amount or value of any capital sums of a kind referred to in section 492(1)(b) to (e) of ITTOIA 2005];
 - (ii) the amounts previously paid under the policy or contract by way of premiums or otherwise by way of consideration for an annuity;
 - (iii) the capital element in any payment previously made on account of an annuity ^{F199} determined in accordance with section 656 and the amount of so much of any payment previously made on account of an annuity as is exempt under section 717 of ITTOIA 2005];
 - (iv) the value of any previously assigned parts of or shares in the rights conferred by the policy or contract;
 - (v) the total of the amounts of gains treated as arising on previous chargeable events by reason, or in consequence, of the occurrence of a section 546 excess at the end of a year ^{F200} and the total of the

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- amounts of gains treated as arising on previous chargeable events within section 509(1) or 514(1) of ITTOIA 2005];
- (d) except where paragraph (c) above applies, the amount of the gain treated as arising by reason of the event;
- [^{F201}(e) the number of years relevant for computing the annual equivalent of the amount of the gain for the purposes of subsection (1) of section 536 of ITTOIA 2005 (top slicing relieved liability: one chargeable event), apart from subsections (6) and (8) of that section;]
- [^{F202}(f) on the assumption that section 465 of ITTOIA 2005 (person liable: individuals) has effect in relation to the gain —
- (i) whether an individual would fall to be treated as having paid income tax at the [^{F203}savings rate] on the amount of the gain in accordance with section 530 of that Act; and
- (ii) if so, except in a case where paragraph (c) above applies, the amount of such tax that would fall to be so treated as paid.]
- (6) For the purposes of subsection (1)(a) above, the relevant three month period is whichever of the following periods ends the latest—
- (a) the period of three months following the happening of the chargeable event;
- (b) if the event is a surrender or assignment which is a chargeable event by virtue of section 546C(7)(a) [^{F204}of this Act (and section 514(1) of ITTOIA 2005)], the period of three months following the end of the year [^{F205}(and the insurance year)] in which the event happens;
- (c) if the event is a death or an assignment of the whole of the rights or a surrender or assignment which is a chargeable event by virtue of section 546C(7)(a) [^{F206}of this Act (and section 514(1) of ITTOIA 2005)], the period of three months beginning with receipt of written notification of the event.
- (7) For the purposes of subsection (1)(b) above, the relevant three month period is whichever of the following periods ends the latest—
- (a) the period of three months following the end of the year of assessment, or, where the policy holder is a company, the financial year, in which the event happened;
- (b) if the event is a surrender or assignment which is a chargeable event by virtue of section 546C(7)(a) [^{F207}of this Act (and section 514(1) of ITTOIA 2005)], the period of three months following the end of the year [^{F208}(and the insurance year)] in which the event happens;
- (c) if the event is a death or an assignment, the period of three months beginning with receipt of written notification of the event;
- (d) if a certificate under subsection (1)(b) above would not be required in respect of the event apart from the happening of another event, and that other event is one of those mentioned in paragraph (c) above, the period of three months beginning with receipt of written notification of that other event.
- (8) For the purposes of this section the cases where a gain is connected with another gain are those cases where—
- (a) both gains arise in connection with policies or contracts containing obligations which, immediately before the chargeable event, were obligations of the same body;
- (b) the policy holder of those policies or contracts is the same;

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- (c) both gains are attributable to the same year of assessment or, where the policy holder is a company, to the same financial year;
 - (d) the terms of the policies or contracts are the same, apart from any difference in their maturity dates; and
 - (e) the policies or contracts were issued in respect of insurances made, or were entered into or effected, on the same date.
- (9) For the purposes of this section, the year of assessment or financial year to which a gain is attributable is—
- (a) in the case of a gain treated as arising by virtue of section 546C(7)(b) [^{F209}of this Act (and section 514(1) of ITTOIA 2005)], the year of assessment or financial year which includes the end of the year as at which the section 546 excess in question occurs [^{F210}(and the end of the insurance year mentioned in section 514(3) and (4) of ITTOIA 2005)]; or
 - (b) in any other case, the year of assessment or financial year in which happens the chargeable event by reason of which the gain is treated as arising.
- (10) In this section—
- “amount”, in relation to any gain, means the amount of the gain apart from section 553(3) [^{F211}of this Act and section 528 of ITTOIA 2005];
- “appropriate policy holder” means—
- (a) in relation to an assignment of part of or a share in the rights conferred by a policy or contract, any person who is both—
 - (i) the policy holder, or one of the policy holders, immediately before the assignment; and
 - (ii) the assignor or one of the assignors; and
 - (b) in relation to any other chargeable event, the person who is the policy holder immediately before the happening of the event;
- [^{F212}“chargeable event” means an event which is a chargeable event within the meaning of this Chapter and Chapter 9 of Part 4 of ITTOIA 2005;]
- “financial year” means a period of 12 months beginning with 1st April;
- “the relevant year of assessment”, in the case of any gain, means—
- (a) the year of assessment to which the gain is attributable, or
 - (b) if the gain arises to a company, the year of assessment which corresponds to the financial year to which the gain is attributable;
- “section 546 excess” has the meaning given in section 546B(4);
- “year”, in relation to any policy or contract, has the meaning given by section 546(4).
- (11) For the purposes of this section a year of assessment and a financial year correspond to each other if the financial year ends with 31st March in the year of assessment.
- (12) This section is supplemented by section 552ZA.
- [^{F213}(13) For the purposes of this section, no account is to be taken of the effect of section 548A above or section 541A of ITTOIA 2005.]]

Textual Amendments

F194 Ss. 552, 552ZA substituted for s. 552 (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2001 (c. 9), Sch. 28 para. 18

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- F195** Words in s. 552(1) 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. 222(2), Sch. 3 (with Sch. 2)
- F196** Words in s. 552(5)(b)(ii) 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. 222(3)(a) (with Sch. 2)
- F197** Words in s. 552(5)(c) 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. 222(3)(b)(i) (with Sch. 2)
- F198** Words in s. 552(5)(c)(i) 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. 222(3)(b)(ii) (with Sch. 2)
- F199** Words in s. 552(5)(c)(iii) 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. 222(3)(b)(iii) (with Sch. 2)
- F200** Words in s. 552(5)(c)(v) 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. 222(3)(b)(iv) (with Sch. 2)
- F201** S. 552(5)(e) 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. 222(3)(c) (with Sch. 2)
- F202** S. 552(5)(f) 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. 222(3)(d) (with Sch. 2)
- F203** Words in s. 552(5)(f)(i) 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. 112 (with Sch. 2)
- F204** Words in s. 552(6)(b) 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. 222(4)(a)(i) (with Sch. 2)
- F205** Words in s. 552(6)(b) 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. 222(4)(a)(ii) (with Sch. 2)
- F206** Words in s. 552(6)(c) 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. 222(4)(b) (with Sch. 2)
- F207** Words in s. 552(7)(b) 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. 222(5)(a) (with Sch. 2)
- F208** Words in s. 552(7)(b) 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. 222(5)(b) (with Sch. 2)
- F209** Words in s. 552(9)(a) 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. 222(6)(a) (with Sch. 2)
- F210** Words in s. 552(9)(a) 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. 222(6)(b) (with Sch. 2)
- F211** S. 552(10): words in definition of "amount" 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. 222(7)(a) (with Sch. 2)
- F212** S. 552(10): definition of "chargeable event" 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. 222(7)(b) (with Sch. 2)
- F213** S. 552(13) inserted (with effect in accordance with s. 29(4) of the amending Act) by Finance Act 2007 (c. 11), s. 29(2)

Modifications etc. (not altering text)

- C13** S. 552(6) modified (9.4.2003) by Finance Act 2003 (c. 14), s. 171(1)(3), Sch. 34 para. 5

F214 **552ZA** Information: supplementary provisions

- (1) This section supplements section 552 and shall be construed as one with it.

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- (2) Where the obligations under any policy or contract of the body that issued, entered into or effected it (“the original insurer”) are at any time the obligations of another body (“the transferee”) to whom there has been a transfer of the whole or any part of a business previously carried on by the original insurer, section 552 shall have effect in relation to that time, except where the chargeable event—
 - (a) happened before the transfer, and
 - (b) in the case of a death or an assignment, is an event of which the notification mentioned in subsection (6) or (7) of that section was given before the transfer, as if the policy or contract had been issued, entered into or effected by the transferee.
- (3) Where, in consequence of section 546C(7)(a) [^{F215}of this Act and section 514(1) of ITTOIA 2005], paragraph (a) or (b) of section 552(1) requires certificates to be delivered in respect of two or more surrenders, happening in the same year, of part of or a share in the rights conferred by the policy or contract, a single certificate may be delivered under the paragraph in question in respect of all those surrenders (and may treat them as if they together constituted a single surrender) unless between the happening of the first and the happening of the last of them there has been—
 - (a) an assignment of part of or a share in the rights conferred by the policy or contract; or
 - (b) an assignment, otherwise than for money or money’s worth, of the whole of the rights conferred by the policy or contract.
- (4) Where the appropriate policy holder is two or more persons—
 - (a) section 552(1)(a) requires a certificate to be delivered to each of them; but
 - (b) nothing in section 552 or this section requires a body to deliver a certificate under subsection (1)(a) of that section to any person whose address has not been provided to the body (or to another body, at a time when the obligations under the policy or contract were obligations of that other body).
- (5) A certificate under section 552(1)(b) or (3)—
 - (a) shall be in a form prescribed for the purpose by the Board; and
 - (b) shall be delivered by any means prescribed for the purpose by the Board;
 and different forms, or different means of delivery, may be prescribed for different cases or different purposes.
- (6) The Board may by regulations make such provision as they think fit for securing that they are able—
 - (a) to ascertain whether there has been or is likely to be any contravention of the requirements of section 552 or this section; and
 - (b) to verify any certificate under that section.
- (7) Regulations under subsection (6) above may include, in particular, provisions requiring persons to whom premiums under any policy are or have at any time been payable—
 - (a) to supply information to the Board; and
 - (b) to make available books, documents and other records for inspection on behalf of the Board.
- (8) Regulations under subsection (6) above may—
 - (a) make different provision for different cases; and

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- (b) contain such supplementary, incidental, consequential or transitional provision as appears to the Board to be appropriate.]

Textual Amendments

F214 Ss. 552, 552ZA substituted for s. 552 (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2001 (c. 9), **Sch. 28 para. 18**

F215 Words in s. 552ZA(3) 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. 223** (with Sch. 2)

VALID FROM 17/07/2013

[^{F216} 552ZB] Regulations in relation to qualifying policies

- (1) The Commissioners for Her Majesty's Revenue and Customs may make regulations—
- (a) requiring relevant persons—
 - (i) to provide prescribed information to persons who apply for the issue of qualifying policies or who are, or may be, required to make statements under paragraph B3(2) of Schedule 15;
 - (ii) to provide to an officer of Revenue and Customs prescribed information about qualifying policies which have been issued by them or in relation to which they are or have been a relevant transferee;
 - (b) making such provision (not falling within paragraph (a)) as the Commissioners think fit for securing that an officer of Revenue and Customs is able—
 - (i) to ascertain whether there has been or is likely to be any contravention of the requirements of the regulations or of paragraph B3(2) of Schedule 15;
 - (ii) to verify any information provided to an officer of Revenue and Customs as required by the regulations.
- (2) The provision that may be made by virtue of subsection (1)(b) includes, in particular, provision requiring relevant persons to make available books, documents and other records for inspection by or on behalf of an officer of Revenue and Customs.
- (3) The regulations may—
- (a) make different provision for different cases or circumstances, and
 - (b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.
- (4) In this section—
- “prescribed” means prescribed by the regulations,
- “qualifying policy” includes a policy which would be a qualifying policy apart from—
- (a) paragraph A1(2), B1(2), B2(2) or B3(3) of Schedule 15, or
 - (b) paragraph 17(2)(za) of that Schedule (including as applied by paragraph 18), and

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“relevant person” means a person—

- (a) who issues, or has issued, qualifying policies, or
- (b) who is, or has been, a relevant transferee in relation to qualifying policies.

- (5) For the purposes of this section a person (“X”) is at any time a “relevant transferee” in relation to a qualifying policy if the obligations under the policy of its issuer are at that time the obligations of X as a result of there having been a transfer to X of the whole or any part of a business previously carried on by the issuer.]

Textual Amendments

F216 S. 552ZB inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [Sch. 9 para. 10](#)

[^{F217}552A] Tax representatives.

- (1) This section has effect for the purpose of securing that, where it applies to an overseas insurer, another person is the overseas insurer’s tax representative.
- (2) In this section “overseas insurer” means a person who is not resident in the United Kingdom who carries on a business which consists of or includes the effecting and carrying out of—
 - (a) policies of life insurance;
 - (b) contracts for life annuities; or
 - (c) capital redemption policies.
- (3) This section applies to an overseas insurer—
 - (a) if the condition in subsection (4) below is satisfied on the designated day; or
 - (b) where that condition is not satisfied on that day, if it has subsequently become satisfied.
- (4) The condition mentioned in subsection (3) above is that—
 - (a) there are in force relevant insurances the obligations under which are obligations of the overseas insurer in question or of an overseas insurer connected with him; and
 - (b) the total amount or value of the gross premiums paid under those relevant insurances is £1 million or more.
- (5) In this section “relevant insurance” means any policy of life insurance, contract for a life annuity or capital redemption policy^{F218} . . . in the case of which—
 - (a) the holder is resident in the United Kingdom;
 - (b) the obligations of the insurer are obligations of a person not resident in the United Kingdom; and
 - (c) those obligations are not attributable to a branch or agency of that person’s in the United Kingdom.
- (6) Before the expiration of the period of three months following the day on which this section first applies to an overseas insurer, the overseas insurer must nominate to the Board a person to be his tax representative.
- (7) A person shall not be a tax representative unless—

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- (a) if he is an individual, he is resident in the United Kingdom and has a fixed place of residence there, or
 - (b) if he is not an individual, he has a business establishment in the United Kingdom,
- and, in either case, he satisfies such other requirements (if any) as are prescribed in regulations made for the purpose by the Board.
- (8) A person shall not be an overseas insurer's tax representative unless—
- (a) his nomination by the overseas insurer has been approved by the Board; or
 - (b) he has been appointed by the Board.
- (9) The Board may by regulations make provision supplementing this section; and the provision that may be made by any such regulations includes provision with respect to—
- (a) the making of a nomination by an overseas insurer of a person to be his tax representative;
 - (b) the information which is to be provided in connection with such a nomination;
 - (c) the form in which such a nomination is to be made;
 - (d) the powers and duties of the Board in relation to such a nomination;
 - (e) the procedure for approving, or refusing to approve, such a nomination, and any time limits applicable to doing so;
 - (f) the termination, by the overseas insurer or the Board, of a person's appointment as a tax representative;
 - (g) the appointment by the Board of a person as the tax representative of an overseas insurer (including the circumstances in which such an appointment may be made);
 - (h) the nomination by the overseas insurer, or the appointment by the Board, of a person to be the tax representative of an overseas insurer in place of a person ceasing to be his tax representative;
 - (j) circumstances in which an overseas insurer to whom this section applies may, with the Board's agreement, be released (subject to any conditions imposed by the Board) from the requirement that there must be a tax representative;
 - (k) appeals to the Special Commissioners against decisions of the Board under this section or regulations under it.
- (10) The provision that may be made by regulations under subsection (9) above also includes provision for or in connection with the making of other arrangements between the Board and an overseas insurer for the purpose of securing the discharge by or on behalf of the overseas insurer of the relevant duties, within the meaning of section 552B.
- (11) Section 839 (connected persons) applies for the purposes of this section.
- (12) In this section—
- [^{F219}“capital redemption policy” means a capital redemption policy in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 have effect;]
 - [^{F220}“contract for a life annuity” means a contract for a life annuity in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 have effect;]

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“the designated day” means such day as the Board may specify for the purpose in regulations;

[^{F221}“policy of life insurance” means a policy of life insurance in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 have effect;]

“tax representative” means a tax representative under this section.]

Subordinate Legislation Made

P1 S. 552A(12) power exercised: 6.4.1999 appointed by S.I. 1999/881, **reg. 3**

Textual Amendments

F217 Ss. 552A, 552B inserted (31.7.1998) by Finance Act 1998 (c. 36), **s. 87**

F218 Words in s. 552A(5) 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. 224(2), **Sch. 3** (with Sch. 2)

F219 S. 552A(12): definition of "capital redemption policy" 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. 224(3)** (with Sch. 2)

F220 S. 552A(12): definition of "contract for a life annuity" 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. 224(3)** (with Sch. 2)

F221 S. 552A(12): definition of "policy of life insurance" 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. 224(3)** (with Sch. 2)

Modifications etc. (not altering text)

C14 S. 522A restricted (6.4.1999) by The Overseas Insurers (Tax Representatives) Regulations 1999 (S.I. 1999/881), **reg. 11(2)**

[^{F217}**552B**Duties of overseas insurers' tax representatives.

(1) It shall be the duty of an overseas insurer's tax representative to secure (where appropriate by acting on the overseas insurer's behalf) that the relevant duties are discharged by or on behalf of the overseas insurer.

[^{F222}(2) For the purposes of this section “the relevant duties” are—

- (a) the duties imposed by section 552,
- (b) the duties imposed by section 552ZA(2), (4) or (5), and
- (c) any duties imposed by regulations made under subsection (6) of section 552ZA by virtue of subsection (7) of that section,

so far as relating to relevant insurances under which the overseas insurer in question has any obligations.]

(3) An overseas insurer's tax representative shall be personally liable—

- (a) in respect of any failure to secure the discharge of the relevant duties, and
- (b) in respect of anything done for purposes connected with acting on the overseas insurer's behalf,

as if the relevant duties were imposed jointly and severally on the tax representative and the overseas insurer.

(4) In the application of this section in relation to any particular tax representative, it is immaterial whether any particular relevant duty arose before or after his appointment.

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- (5) This section has effect in relation to relevant duties relating to chargeable events happening on or after the day by which section 552A(6) requires the nomination of the overseas insurer’s first tax representative to be made.

[In subsection (5) “chargeable event” has the same meaning as in section 552 (see ^{F223}(5A) subsection (10) of that section).]

- (6) Expressions used in this section and in section 552A have the same meaning in this section as they have in that section.]

Textual Amendments

F217 Ss. 552A, 552B inserted (31.7.1998) by Finance Act 1998 (c. 36), s. 87

F222 S. 552B(2) substituted (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2001 (c. 9), Sch. 28 para. 19

F223 S. 552B(5A) 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. 225 (with Sch. 2)

553 Non-resident policies and off-shore capital redemption policies.

^{M44}(1) If, in the case of a substitution of policies falling within paragraph 25(1) or (3) of Schedule 15, the new policy is a qualifying policy, section 540 shall have effect with the following modifications—

- (a) the surrender of the rights conferred by the old policy shall not be a chargeable event (within the meaning of that section); and
- (b) the new policy shall be treated as having been issued in respect of an insurance made on the day referred to in paragraph 26 of that Schedule.

(2) If at any time [^{F224}the conditions in paragraph 24(3) of Schedule 15 to this Act are not fulfilled] with respect to a new non-resident policy which has previously become a qualifying policy, then, from that time onwards, this Chapter shall apply in relation to the policy as if it were not a qualifying policy.

(3) Subject to [^{F225}subsections (5) and (5A)] below, on the happening of a chargeable event in relation to a new non-resident policy or a new offshore capital redemption policy, the amount which, apart from this subsection, would by virtue of section 541 [^{F226}or 546C(7)(b)] be treated as a gain arising in connection with the policy shall be reduced by multiplying it by the fraction—

$$\frac{A}{B}$$

where—

A is the number of days on which the policy holder was resident in the United Kingdom in the period for which the policy has run before the happening of the chargeable event; and

B is the number of days in that period.

[^{F227}(4) The number of days in the period referred to in subsection (3) shall be calculated, where appropriate, from the issue of the earliest related policy, that is, any policy in

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relation to which the policy is a new policy within the meaning of paragraph 17 of Schedule 15, any policy in relation to which that policy is such a policy, and so on.]

(5) If, on the happening of the chargeable event referred to in subsection (3) above or at any time during the period referred to in that subsection, the policy is or was held by a trustee resident outside the United Kingdom or by two or more trustees any of whom is or was so resident, no reduction shall be made under that subsection unless—

- (a) the policy was issued in respect of an insurance made on or before 19th March 1985; and
- (b) on that date the policy was held by a trustee who was so resident or, as the case may be, by two or more trustees any of whom was so resident.

[^{F228}(5A) If, on the happening of the chargeable event referred to in subsection (3) above or at any time during the period referred to in that subsection, the policy is or was held by a foreign institution, no reduction shall be made under that subsection unless—

- (a) the policy was issued in respect of an insurance made on or before 16th March 1998; and
- (b) on that date the policy was held by a foreign institution.]

(6) ^{F229}

[^{F230}(6A) ^{F229}]

(7) ^{F229}

[^{F231}(7A) ^{F229}]

(8) ^{F229}

(9) ^{F229}

(10) In this section—

“chargeable event” has, subject to subsection (1) above, the meaning given by section 540 or, as the case may be, 545 [^{F232}or 546C(7)(a)];

[^{F233}“foreign institution” has the same meaning as in [^{F234}section 547A];]

“new non-resident policy” has the meaning given by paragraph 24 of Schedule 15; and

“new offshore capital redemption policy” means a capital redemption policy, as defined in section 539(3), which—

- (a) is issued in respect of [^{F235}a contract] made after 22nd February 1984; and
- (b) is so issued by a company resident outside the United Kingdom.

Textual Amendments

- F224** Words in s. 553(2) substituted (1.5.1995) by Finance Act 1995 (c. 4), s. 55(8)(a) (with saving)
- F225** Words in s. 553(3) substituted (with effect in accordance with Sch. 14 para. 7(5) of the amending Act) by Finance Act 1998 (c. 36), Sch. 14 para. 4(2)
- F226** Words in s. 553(3) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001, (c. 9), Sch. 28 para. 17(2)
- F227** S. 553(4) 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. 226(2) (with Sch. 2)
- F228** S. 553(5A) inserted (with effect in accordance with Sch. 14 para. 7(5) of the amending Act) by Finance Act 1998 (c. 36), Sch. 14 para. 4(3)

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- F229** S. 553(6)-(9) 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. 226(3), Sch. 3 (with Sch. 2)
- F230** S. 553(6A) inserted (with effect in accordance with s. 56(4) of the amending Act) by Finance Act 1995 (c. 4), s. 56(2)
- F231** S. 553(7A) inserted (with effect in accordance with s. 76(6) of the amending Act) by Finance Act 1995 (c. 4), s. 76(3)
- F232** Words in s. 553(10) inserted (with effect in accordance with s. 83(2) of the amending Act) by Finance Act 2001 (c. 9), Sch. 28 para. 17(4)
- F233** S. 553(10): definition of "foreign institution" inserted (with effect in accordance with Sch. 14 para. 7(5) of the amending Act) by Finance Act 1998 (c. 36), Sch. 14 para. 4(4)
- F234** S. 553(10): words in definition of "foreign institution" 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. 226(4) (with Sch. 2)
- F235** Words in s. 553(10) substituted (with effect in accordance with s. 168(6) of the amending Act) by Finance Act 1996 (c. 8), s. 168(5)

Modifications etc. (not altering text)

- C15** S. 553: power to modify conferred (with effect in accordance with s. 56(4) of the affecting Act) by Finance Act 1995 (c. 4), s. 56(3)

Marginal Citations

- M44** Source-1984 Sch.15 Part III; 1984 s.76(5); 1985 s.51

[^{F236}553A] Overseas life assurance business: life policies.

- (1) A policy of life insurance which, immediately before the happening of a chargeable event or a relevant event—
- is an overseas policy, but
 - is not a new non-resident policy,
- shall, in relation to that event, be treated for the purposes of this Chapter as if it were a new non-resident policy.
- (2) A policy of life insurance which, immediately before the happening of a relevant event—
- is an overseas policy, and
 - is a new non-resident policy,
- shall, in relation to that event, be taken for the purposes of this Chapter not to be a qualifying policy.
- (3) ^{F237}
- (4) In this section—

“new non-resident policy” means a new non-resident policy as defined in paragraph 24 of Schedule 15 (and in [^{F238}subsection (2)] above includes a policy treated as such by virtue of subsection (1) above);

“overseas policy” means a policy of life insurance which, by virtue of section 431D(1)(a), forms part of the overseas life assurance business of an insurance company or friendly society;

“relevant event”, in relation to a policy of life insurance, means an event which would be a chargeable event in relation to that policy if the policy were assumed not to be a qualifying policy.

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- (5) This section applies in relation to chargeable events and relevant events happening on or after 17th March 1998 in relation to policies of life insurance issued in respect of insurances made on or after that date.
- (6) A policy of life insurance issued in respect of an insurance made before 17th March 1998 shall be treated for the purposes of this section as issued in respect of one made on or after that date if it is varied on or after that date so as to increase the benefits secured or to extend the term of the insurance; and any exercise of rights conferred by the policy shall be regarded for this purpose as a variation.]

Textual Amendments

- F236** S. 553A inserted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 88\(1\)](#)
- F237** S. 553A(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. 227\(2\), Sch. 3 \(with Sch. 2\)](#)
- F238** S. 553A(4): words in definition of "new non-resident policy" 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. 227\(3\) \(with Sch. 2\)](#)

[^{F239} 553B] Overseas life assurance business: capital redemption policies.

- (1) A capital redemption policy which immediately before the happening of a chargeable event—
 - (a) is an overseas policy, but
 - (b) is not a new offshore capital redemption policy,
 shall, in relation to that event, be treated for the purposes of this Chapter as if it were a new offshore capital redemption policy.
- (2) In this section—

“new offshore capital redemption policy” has the same meaning as in section 553;

“overseas policy” means a capital redemption policy which, by virtue of section [^{F240}431D(1)], forms part of the overseas life assurance business of an insurance company.
- (3) This section applies in relation to capital redemption policies where the contract is made [^{F241}on or after 23rd March 1999.]

Textual Amendments

- F239** S. 553B inserted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 88\(2\)](#)
- F240** S. 553B(2): words in definition of "overseas policy" substituted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\), Sch. 7 para. 46\(2\) \(with Sch. 7 Pt. 2\)](#)
- F241** Words in s. 553B(3) substituted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\), Sch. 7 para. 46\(3\) \(with Sch. 7 Pt. 2\)](#)

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^{F242}553 Personal portfolio bonds.

- (1) The Treasury may by regulations make provision imposing a yearly charge to ^{F243} [corporation tax] in relation to personal portfolio bonds (“yearly” being construed for this purpose by reference to years as defined in section 546(4)).
- (2) Subject to any provision to the contrary made by the regulations, any charge to ^{F244} [corporation tax] under this section is in addition to any other charge to ^{F244} [corporation tax] under this Chapter.
- (3) The regulations may make provision with respect to or in connection with all or any of the following—
 - (a) the method by which the charge to ^{F245} [corporation tax], or any relief, allowance or deduction against or in respect of the tax, is to be imposed or given effect;
 - (b) the person who is to be liable for the tax;
 - (c) the periods for or in respect of which the tax is to be charged;
 - (d) the amounts in respect of which, or by reference to which, the tax is to be charged;
 - (e) the period or periods by reference to which those amounts are to be determined;
 - (f) the rate or rates at which the tax is to be charged;
 - (g) any reliefs, allowances or deductions which are to be given or made against or in respect of the tax;
 - (h) the administration of the tax.
- (4) The provision that may be made by the regulations includes provision for imposing the charge to ^{F246} [corporation tax] by a method which involves—
 - (a) treating an event described in the regulations as if it were a chargeable event;
 - (b) treating an amount determined in accordance with the regulations as if it were a gain treated as arising on the happening of a chargeable event; ^{F247} [or]
 - (c) deeming an amount determined in accordance with the regulations to be income of a ^{F248} [company]; ^{F249} . . .
 - (d) ^{F249}
- (5) The provision that may be made in the regulations includes provision for the amount or amounts in respect of which, or by reference to which, the tax is to be charged for periods beginning after the coming into force of the regulations to be determined in whole or in part by reference to periods beginning or ending, premiums paid, or events happening, before, on or after the day on which the Finance Act 1998 is passed.
- (6) The regulations may make provision excluding, or applying (with or without modification), other provisions of this Chapter in relation to policies or contracts which are also personal portfolio bonds.
- (7) In this section, “personal portfolio bond” means a policy of life insurance, contract for a life annuity or capital redemption policy under whose terms—
 - (a) some or all of the benefits are determined by reference to the value of, or the income from, property of any description (whether or not specified in the policy or contract) or fluctuations in, or in an index of, the value of property of any description (whether or not so specified); and
 - (b) some or all of the property, or such an index, may be selected by, or by a person acting on behalf of, the holder of the policy or contract or a person connected

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with him (or the holder of the policy or contract and a person connected with him);

but a policy or contract is not a personal portfolio bond if the only property or index which may be so selected is of a description prescribed for this purpose in the regulations.

(8) The regulations may prescribe additional conditions which must be satisfied if a policy or contract is to be a personal portfolio bond.

(9) The regulations—

- (a) may make different provision for different cases, different circumstances or different periods; and
- (b) may make incidental, consequential, supplemental or transitional provision.

[The Treasury may by regulations make provision, in relation to any policy or contract ^{F250}(9A) to which this subsection applies, for—

- (a) treating an event described in the regulations as if it were a chargeable event, and
- (b) treating an amount determined in accordance with the regulations as if it were a gain treated as arising on the happening of a chargeable event.

(9B) Regulations under subsection (9A) may make such provision for the purposes only of enabling the gain to be taken into account in the application of this Chapter to the policy or contract on the later happening of a chargeable event.

(9C) Regulations under subsection (9A) may make any provision for the calculation of the amount of the gain which regulations under subsection (1) may make for the calculation of the amount charged to corporation tax by virtue of regulations under that subsection.

(9D) Subsections (6), (8) and (9) apply to regulations under subsection (9A).

(9E) Subsection (9A) applies to a policy or contract if—

- (a) it is a personal portfolio bond, and
- (b) liability in respect of a gain arising in relation to it would arise by virtue of any of sections 464 to 468 of ITTOIA 2005 (persons liable for tax under Chapter 9 of Part 4 of that Act).]

(10) In this section, “holder”, in the case of a policy or contract held by two or more persons, includes a reference to any of those persons.

(11) Section 839 (connected persons) applies for the purposes of this section.]

Textual Amendments

F242 S. 553C inserted (31.7.1998) by *Finance Act 1998 (c. 36)*, s. 89

F243 Words in s. 553C(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. 228(2) (with Sch. 2)

F244 Words in s. 553C(2) 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. 228(3) (with Sch. 2)

F245 Words in s. 553C(3)(a) 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. 228(4) (with Sch. 2)

F246 Words in s. 553C(4) 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. 228(5)(a) (with Sch. 2)

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- F247** Word at the end of s. 553C(4)(b) 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. 228\(5\)\(b\)](#) (with Sch. 2)
- F248** Word in s. 553C(4)(c) 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. 228\(5\)\(c\)](#) (with Sch. 2)
- F249** S. 553C(4)(d) and preceding word 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. 228\(5\)\(d\), Sch. 3](#) (with Sch. 2)
- F250** S. 553C(9A)-(9E) 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. 228\(6\)](#) (with Sch. 2)

554 Borrowings on life policies to be treated as income in certain cases.

F251

Textual Amendments

- F251** S. 554 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. 229, Sch. 3](#) (with Sch. 2)

CHAPTER III

ENTERTAINERS AND SPORTSMEN

555 Payment of tax.

F252

Textual Amendments

- F252** S. 555 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. 113, Sch. 3 Pt. 1](#) (with Sch. 2)

556 Activity treated as trade etc. and attribution of income.

(1) ^{F253}

[^{F254}(2) If—

- (a) under section 13(5) of ITTOIA 2005 a payment made to a person is treated as made instead to the performer, and
- (b) the person to whom the payment is actually made is a company within the charge to corporation tax,

the company is treated for corporation tax purposes as if the payment had not been made to it.]

(3) Regulations may provide—

- (a) ^{F255}

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(b) that any liability to [^{F256}corporation tax] which would, apart from subsection (2) above, arise in relation to the payment shall not arise or shall arise only to a prescribed extent.

(4) ^{M45}References in this section to a payment include references to a transfer.

[^{F257}(4A) In this section “payment” and “transfer” have the same meanings as in section 13 of ITTOIA 2005.]

(5) ^{M46F258} . . . Subsections (2) and (3) above shall not apply in such circumstances as may be prescribed.

Textual Amendments

F253 S. 556(1) 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. 230\(2\), Sch. 3](#) (with Sch. 2)

F254 S. 556(2) 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. 230\(3\)](#) (with Sch. 2)

F255 S. 556(3)(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. 230\(4\)\(a\), Sch. 3](#) (with Sch. 2)

F256 Words in s. 556(3)(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. 230\(4\)\(b\)](#) (with Sch. 2)

F257 S. 556(4A) 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. 114\(2\)](#) (with Sch. 2)

F258 Words in s. 556(5) 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. 114\(3\), Sch. 3 Pt. 1](#) (with Sch. 2)

Modifications etc. (not altering text)

C16 *For regulations see Part III Vol.5 (under “Entertainers and sportsmen”).*

Marginal Citations

M45 Source-1986 Sch.11 6(4) 7(6)

M46 Source-1986 Sch.11 6(2), 7(5)

557 Charge on [^{F259}profits].

^{F260}

Textual Amendments

F259 Word in s. 557 sidenote substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 1](#)

F260 S. 557 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. 231, Sch. 3](#) (with Sch. 2)

558 Supplementary provisions.

(1) ^{F261}

(2) ^{F261}

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- (3) ^{F261}
- (4) ^{F261}
- (5) ^{M47} Regulations may make provision generally for giving effect to this Chapter, and may make different provision for different cases or descriptions of case.
- (6) ^{M48} In this Chapter—
 - “regulations” means regulations made by the Treasury; and
 - “prescribed” means prescribed by regulations.

Textual Amendments

F261 S. 558(1)-(4) 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. 115, **Sch. 3 Pt. 1** (with Sch. 2)

Modifications etc. (not altering text)

C17 For regulations see Part III Vol.5 (under “Entertainers and sportsmen”).

Marginal Citations

M47 Source-1986 Sch.11 10, 11(2)
M48 Source-1986 Sch.11 11(1), (3)

CHAPTER IV

SUB-CONTRACTORS IN THE CONSTRUCTION INDUSTRY

559 Deductions on account of tax etc. from payments to certain sub-contractors.

^{F262}

Textual Amendments

F262 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by [Finance Act 2004 \(c. 12\)](#), Sch. 12 para. 9(2), **Sch. 42 Pt. 2(7)**, Note; S.I. 2006/3240, **art. 2**

[^{F263} 559A] Treatment of sums deducted under s.559

^{F264}

Textual Amendments

F263 S. 559A inserted (with effect in accordance with s. 40(4) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), **s. 40(1)**
F264 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by [Finance Act 2004 \(c. 12\)](#), Sch. 12 para. 9(2), **Sch. 42 Pt. 2(7)**, Note; S.I. 2006/3240, **art. 2**

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560 Persons who are sub-contractors or contractors for purposes of Chapter IV.

F265

Textual Amendments
F265 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 12 para. 9(2), Sch. 42 Pt. 2(7), Note; S.I. 2006/3240, art. 2

561 Exceptions from section 559.

F266

Textual Amendments
F266 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 12 para. 9(2), Sch. 42 Pt. 2(7), Note; S.I. 2006/3240, art. 2

562 Conditions to be satisfied by individuals.

F267

Textual Amendments
F267 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 12 para. 9(2), Sch. 42 Pt. 2(7), Note; S.I. 2006/3240, art. 2

563 Conditions to be satisfied by partners who are individuals.

F268

Textual Amendments
F268 S. 563 repealed (with effect in accordance with Sch. 27 para. 8(1), Sch. 29 Pt. 8(21) Note 3 of the repealing Act) by Finance Act 1995 (c. 4), Sch. 27 para. 5, Sch. 29 Pt. 8(21); S.I. 1998/2620, art. 3

564 Conditions to be satisfied by firms.

F269

Textual Amendments
F269 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 12 para. 9(2), Sch. 42 Pt. 2(7), Note; S.I. 2006/3240, art. 2

565 Conditions to be satisfied by companies.

F270

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Textual Amendments

F270 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 12 para. 9(2), **Sch. 42 Pt. 2(7)**, Note; S.I. 2006/3240, **art. 2**

566 General powers to make regulations under Chapter IV.

F271

Textual Amendments

F271 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 12 para. 9(2), **Sch. 42 Pt. 2(7)**, Note; S.I. 2006/3240, **art. 2**

567 Meaning of “construction operations”.

F272

Textual Amendments

F272 Pt. 13 Ch. 4 (ss. 559-567) repealed (with effect in accordance with s. 77 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 12 para. 9(2), **Sch. 42 Pt. 2(7)**, Note; S.I. 2006/3240, **art. 2**

CHAPTER V

SCHEMES FOR RATIONALIZING INDUSTRY

568 Deductions from profits of contributions paid under certified schemes.

^{M49}(1) Notwithstanding anything contained in section 74 [^{F273}of this Act or section 33 of ITTOIA 2005] but subject to the following provisions of this Chapter, where a person pays, wholly and exclusively for the purposes of a trade in respect of which he is chargeable under Case I of Schedule D, [^{F274}or under Part 2 of ITTOIA 2005,] a contribution in furtherance of a scheme which is for the time being certified by the Secretary of State under this section, the contribution shall, in so far as it is paid in furtherance of the primary object of the scheme, be allowed to be deducted as an expense in computing the [^{F275}profits] of that trade.

- (2) The Secretary of State shall certify a scheme under this section if he is satisfied—
- (a) that the primary object of the scheme is the elimination of redundant works or machinery or plant from use in an industry in the United Kingdom; and
 - (b) that the scheme is in the national interest and in the interests of that industry as a whole; and
 - (c) that such number of persons engaged in that industry as are substantially representative of the industry are liable to pay contributions in furtherance of the primary object of the scheme by agreement between them and the body of persons carrying out the scheme.

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References in this subsection to an industry in the United Kingdom shall include references to the business carried on by owners of ships or of a particular class of ships, wherever that business is carried on, and, in relation to that business, references in this subsection to works or machinery or plant shall include references to ships.

- (3) The Secretary of State shall cancel any certificate granted under this section if he ceases to be satisfied as to any of the matters referred to in subsection (2) above.
- (4) The Secretary of State may at any time require the body of persons carrying out a scheme certified under this section to produce any books or documents of whatever nature relating to the scheme and, if the requirement is not complied with, he may cancel the certificate.
- (5) In this section and in section 569 “contribution”, in relation to a scheme, does not include a sum paid by a person by way of loan or subscription of share capital, or in consideration of the transfer of assets to him, or by way of a penalty for contravening or failing to comply with the scheme.

Textual Amendments

F273 Words in s. 568(1) 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. 232\(a\)](#) (with [Sch. 2](#))

F274 Words in s. 568(1) 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. 232\(b\)](#) (with [Sch. 2](#))

F275 Words in s. 568(1) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), s. 46(3)(a), [Sch. 7 para. 1](#)

Marginal Citations

M49 Source-1970 s.406

569 Repayment of contributions.

^{M50}(1) In the event of the repayment, whether directly or by way of distribution of assets on a winding up or otherwise, of a contribution or any part of a contribution which has been allowed to be deducted under section 568, the deduction of the contribution, or so much of it as has been repaid, shall be deemed to be an unauthorised deduction in respect of which an assessment shall be made, and, notwithstanding the provisions of the Tax Acts requiring assessments to be made within six years after the end of the chargeable period to which they relate, any such assessment and any consequential assessment may be made at any time within three years after the end of the chargeable period in which the repayment was made.

- (2) For the purposes of this section, a sum received by any person by way of repayment of contributions shall be deemed to be by way of repayment of the last contribution paid by him, and, if the sum exceeds the amount of that contribution, by way of repayment of the penultimate contribution so paid, and so on.

Marginal Citations

M50 Source-1970 s.407; 1971 Sch.6 45

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.
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570 Payments under certified schemes which are not repayments of contributions.

- ^{M51}(1) Subject to the provisions of this section, where, under any scheme which is for the time being certified or has at any time been certified by the Secretary of State under section 568, any payment (not being a payment made by way of repayment of contributions) is made to a person carrying on a trade to which the scheme relates, that payment shall be treated for the purposes of the Tax Acts as a trading receipt of the trade, and shall accordingly be taken into account in computing the [^{F276}profits] of the trade for those purposes.
- (2) Where ^{F277} . . . the payments which have been made under such a scheme in respect of a trade (not being payments made by way of repayment of contributions) have been made wholly or partly in respect of damage in respect of which no relief may be given under the Tax Acts, [^{F278}and a claim is made to that effect,] then, subject to and in accordance with the provisions of [^{F279}Schedule 21]—
- (a) relief shall be given in respect of those payments by reducing the amounts which are to be treated as trading receipts of the trade under subsection (1) above; but
 - (b) where such relief is given, section 568 shall, in relation to contributions subsequently paid under the scheme in respect of the trade, have effect subject to the modifications specified in Part III of that Schedule,
[^{F280}and paragraph 6 of that Schedule applies for the purposes of this subsection as it applies for the purposes of that Schedule.]
- (3) The provisions of this section and Schedule 21 shall apply in relation to any payment made to a person who has ceased to carry on a trade to which any such scheme as is mentioned in subsection (1) above relates as they apply in relation to payments made to a person carrying on such a trade, subject to the modification that so much of that payment as falls to be treated as a trading receipt by virtue of those provisions shall be deemed for the purposes of those provisions to have been made to him on the last day on which he was engaged in carrying on the trade.
- (4) In determining for the purposes of this section and of Schedule 21—
- (a) whether any trade has ceased to be carried on; or
 - (b) whether any contribution is paid in respect of a trade in respect of which a payment has been made; or
 - (c) whether any payment is made in respect of a trade in respect of which a contribution has been paid,
- no regard shall be had to any event which, by virtue of [^{F281}section 337(1) above or section 18 of ITTOIA 2005 (companies beginning or ceasing to carry on trade)], is to be treated as effecting a discontinuance of a trade.

Textual Amendments

- F276** Words in s. 570(1) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 1](#)
- F277** Words in s. 570(2) repealed (with effect in accordance with s. 134(2) of the repealing Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 31\(a\), Sch. 41 Pt. 5\(10\)](#), Note
- F278** Words in s. 570(2) inserted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 31\(b\)](#)
- F279** Words in s. 570(2) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 31\(c\)](#)
- F280** Words in s. 570(2) added (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 31\(d\)](#)

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F281 Words in s. 570(4) 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. 233** (with Sch. 2)

Marginal Citations

M51 Source-1970 s.408

571 Cancellation of certificates.

^{M52}(1) Where any certificate granted with respect to a scheme under section 568 is cancelled by the Secretary of State, and any deductible contributions paid in furtherance of the scheme have not been repaid at the expiration of one year from the cancellation, the body of persons carrying out the scheme shall, for the chargeable period in which that year expires, be charged to tax [^{F282}(in the case of corporation tax, under Case VI of Schedule D)] upon the aggregate amount of the deductible contributions which have not been repaid at that time.

[^{F283}(1A) An amount charged to income tax under subsection (1) above is treated for income tax purposes as an amount of income.]

- (2) The charge to tax under subsection (1) above shall not be made if the total amount of any contributions, other than deductible contributions, which have been paid under the scheme and have not been repaid before that time is greater than the available resources of the scheme, and shall not in any case be made upon an amount greater than the excess, if any, of those resources over that total amount.
- (3) In subsection (2) above “the available resources”, in relation to any scheme, means a sum representing the total funds held for the purposes of the scheme at the expiration of one year from the cancellation of the certificate plus a sum representing any funds held for the purposes of the scheme which, during that year, have been applied otherwise than in accordance with the provisions of the scheme as in force when the certificate was granted.
- (4) Where the body of persons carrying out a scheme are charged to tax by virtue of subsection (1) above, and, after the expiration of one year from the cancellation of the certificate, any deductible contribution paid in furtherance of the scheme is repaid, the amount upon which the charge is made shall on the making of a claim be reduced by the amount repaid, and all such repayments of tax shall be made as are necessary to give effect to the provisions of this subsection.
- (5) In this section “contribution” includes a part of a contribution, and “deductible contribution” means a contribution allowed to be deducted under section 568, any reduction under Part III of Schedule 21 being left out of account.
- (6) For the purposes of this section, a sum received by any person by way of repayment of contributions shall be deemed to be by way of repayment of the last contribution paid by him, and, if the sum exceeds the amount of that contribution, by way of repayment of the penultimate contribution so paid, and so on.

Textual Amendments

F282 Words in s. 571(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. 234** (with Sch. 2)

F283 S. 571(1A) 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. 116** (with Sch. 2)

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Marginal Citations

M52 Source-1970 s.409

572 Application to statutory redundancy schemes.

^{M53}(1) Sections 569 to 571 and Schedule 21 shall, subject to the adaptations specified in subsection (2) below, apply in relation to a statutory redundancy scheme as they apply in relation to a scheme certified under section 568.

(2) The adaptations referred to above are as follows, that is to say—

- (a) for any reference to a contribution allowed to be deducted under section 568 there shall be substituted a reference to a contribution allowed to be deducted under any provision of the Tax Acts other than that section;
- (b) any provision that section 568 shall, in relation to contributions, have effect subject to modifications, shall be construed as a provision that so much of any provision of the Tax Acts other than that section as authorises the deduction of contributions shall, in relation to the contributions in question, have effect subject to the modifications in question;
- (c) for any reference to the cancellation of a certificate with respect to a scheme there shall be substituted a reference to the scheme ceasing to have effect; and
- (d) for any reference to the provisions of the scheme as in force when the certificate was granted there shall be substituted a reference to the provisions of the scheme as in force when the contributions were first paid thereunder.

(3) In this section “statutory redundancy scheme” means a scheme for the elimination or reduction of redundant works, machinery or plant, or for other similar purposes, to which effect is given by or under any Act, whether passed before or after this Act.

Marginal Citations

M53 Source-1970 s.410

[^{F284}CHAPTER 5A

SHARE LOSS RELIEF

Textual Amendments

F284 Pt. 13 Ch. 5A created (6.4.2007 with effect in accordance with s. 1034(1) of the affecting Act) by virtue of [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 para. 117\(3\)](#) (with [Sch. 2](#))

Relief for losses on unquoted shares in trading companies

573 Relief for companies.

(1) ^{M54}Subsection (2) below has effect where a company which has subscribed for shares in a qualifying trading company incurs an allowable loss (for the purpose of

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corporation tax on chargeable gains) on the disposal of the shares in any accounting period and the company disposing of the shares—

- (a) is an investment company on the date of the disposal and either—
 - (i) has been an investment company for a continuous period of six years ending on that date; or
 - (ii) has been an investment company for a shorter continuous period ending on that date and has not before the beginning of that period been a trading company or an excluded company; and
 - (b) was not associated with, or a member of the same group as, the qualifying trading company at any time in the period beginning with the date when it subscribed for the shares and ending with the date of the disposal.
- (2) The company disposing of the shares may, within two years after the end of the accounting period in which the loss was incurred, make a claim requiring that the loss be set off for the purposes of corporation tax against income—
- (a) of that accounting period; and
 - (b) if the company was then an investment company and the claim so requires, of preceding accounting periods ending within the time specified in subsection (3) below;

and, subject to any relief for an earlier loss, the income of any of those periods shall then be treated as reduced by the amount of the loss or by so much of it as cannot be relieved under this subsection against income of a later accounting period.

- (3) The time referred to in subsection (2) above is the period of 12 months ending immediately before the accounting period in which the loss is incurred; but the amount of the reduction which may be made under that subsection in the income of an accounting period falling partly before that time shall not exceed a part of that income proportionate to the part of the accounting period falling within that time.
- (4) ^{F285}Where relief is claimed under subsection (2) above, it must be claimed before any deduction is made for] charges on income, expenses of management or other amounts which can be deducted from or set against or treated as reducing profits of any description; ^{F286}

^{F287}This subsection is subject to subsection (4A) below.]

^{F288}(4A) Paragraph 70 of Schedule 15 to the Finance Act 2000 (priority of loss relief) provides that where relief under Part VII of that Schedule (relief for losses on disposals of shares to which investment relief is attributable) is claimed it must be claimed in priority to relief under subsection (2) above.]

- (5) For the purposes of subsection (1)(b) above companies are associated with each other if one controls the other or both are under the control of the same person or persons; and section 416(2) to (6) shall apply for the purposes of this subsection.
- (6) ^{M55}For the purposes of this section a company subscribes for shares in another company if they are issued to it by that other company in consideration of money or money's worth.

Textual Amendments

F285 Words in s. 573(4) substituted (with effect in accordance with s. 63(3)(4) of the amending Act) by Finance Act 2000 (c. 17), **Sch. 16 para. 3(2)(a)(i)**

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- F286** Words in s. 573(4) 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. 117\(2\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F287** Words in s. 573(4) inserted (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2000 \(c. 17\), Sch. 16 para. 3\(2\)\(a\)\(iv\)](#)
- F288** S. 573(4A) inserted (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2000 \(c. 17\), Sch. 16 para. 3\(2\)\(b\)](#)

Modifications etc. (not altering text)

- C18** S. 573 transposed from Pt. 13 Ch. 6 to Pt. 13 Ch. 5A (6.4.2007 with effect in accordance with s. 1034(1) of the affecting Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 117\(3\)](#) (with [Sch. 2](#))
- C19** S. 573(2) restricted (with effect in accordance with s. 63(4) of the affecting Act) by [Finance Act 2000, Sch. 15 para. 70\(2\)](#)

Marginal Citations

- M54** Source-1981 s.36(1)-(5)
- M55** Source-1981 s.36(6); 1980 s.37(3)

575 Exclusion of relief under section 573^{F289} . . . in certain cases.

- ^{M56}(1) [^{F290}Section 573 does] not apply unless the disposal is—
- (a) by way of a bargain made at arm’s length for full consideration; or
 - (b) by way of a distribution in the course of dissolving or winding up the company; or
- [^{F291}(ba) a disposal within section 24(1) of the 1992 Act (entire loss, destruction, dissipation or extinction of asset); or]
- (c) a deemed disposal under section [^{F292}24(2) of the 1992 Act] (claim that value of asset has become negligible).
- (2) Where a [^{F293}company] disposes of shares (“the new shares”) which by virtue of section [^{F294}127 of the 1992 Act] (reorganisation etc. treated as not involving disposal) are identified with other shares (“the old shares”) previously held by [^{F295}it], relief shall not be given under section 573^{F296} . . . on the disposal of the new shares unless—
- (a) relief under section 573^{F296} . . . could (or if this section had been in force could) have been given on a disposal of the old shares if [^{F295}it] had incurred an allowable loss in disposing of them as mentioned in subsection (1)(a) above on the occasion of the disposal that would have occurred but for section [^{F294}127 of the 1992 Act]; or
 - (b) [^{F295}it] gave new consideration for the new shares;
but in a case within paragraph (b) above the amount of relief under section 573^{F296} . . . on the disposal of the new shares shall not exceed the amount or value of the new consideration taken into account as a deduction in computing the loss incurred on their disposal.
- (3) Where the shares are the subject of an exchange or arrangement of the kind mentioned in section [^{F297}135 or 136 of the 1992 Act] (company reconstructions etc.) which by reason of section [^{F297}137] of that Act involves a disposal of the shares, section 573^{F298} . . . shall not apply to any allowable loss incurred on the disposal.
- [^{F299}(4) In this section “new consideration” means consideration in money or money's worth other than consideration of the kind excluded by paragraph (a) or (b) of section 128(2) of the 1992 Act.]

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Textual Amendments

- F289** Words in s. 575 sidenote 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. 119\(2\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F290** Words in s. 575(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. 119\(3\)](#) (with Sch. 2)
- F291** [S. 575\(1\)\(ba\)](#) inserted (with effect in accordance with s. 63(3)(4) of the amending Act) by [Finance Act 2000 \(c. 17\), Sch. 16 para. 3\(3\)](#)
- F292** Words in s. 575(1)(c) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation and Chargeable Gains Act 1992 \(c. 12\), ss. 289, 290, Sch. 10 para. 14\(34\)\(a\)](#) (with ss. 60, 101(1), 171, 201(3))
- F293** Word in s. 575(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. 119\(4\)\(a\)](#) (with Sch. 2)
- F294** Words in s. 575(2) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation and Chargeable Gains Act 1992 \(c. 12\), ss. 289, 290\(1\), Sch. 10 para. 14\(34\)\(b\)](#) (with ss. 60, 101(1), 171, 201(3))
- F295** Words in s. 575(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. 119\(4\)\(b\)](#) (with Sch. 2)
- F296** Words in s. 575(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. 119\(4\)\(c\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F297** Words in s. 575(3) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation and Chargeable Gains Act 1992 \(c. 12\), ss. 289, 290\(1\), Sch. 10 para. 14\(34\)\(c\)](#) (with ss. 60, 101(1), 171, 201(3))
- F298** Words in s. 575(3) 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. 119\(5\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F299** [S. 575\(4\)](#) 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. 119\(6\)](#) (with Sch. 2)

Modifications etc. (not altering text)

- C20** [Ss. 574-576](#) applied (with effect in accordance with s. 93(11) of the affecting Act) by [Finance Act 1994 \(c. 9\), Sch. 12 para. 3\(3\)](#)
- C21** [S. 575](#) transposed from Pt. 13 Ch. 6 to Pt. 13 Ch. 5A (6.4.2007 with effect in accordance with s. 1034(1) of the affecting Act) by [Income Tax Act 2007 \(c. 3\), Sch. 1 para. 119\(7\)](#) (with Sch. 2)

Marginal Citations

- M56** [Source-1980 s.37\(6\)-\(8\); 1981 s.36\(6\)](#)

576 Provisions supplementary to ^{F300}sections 573 and 575].

- (1) ^{F301}Subject to ^{F302}subsection (1C) below,] where ^{F303}a company] holds shares in ^{F304}another company] which constitute a holding and comprise—
- (a) shares for which ^{F305}it] has subscribed (“qualifying shares”); and
 - (b) shares which ^{F305}it] has acquired otherwise than by subscription,
- any question whether a disposal by ^{F305}it] of shares forming part of the holding is of qualifying shares shall be determined by treating that and any previous disposal by ^{F305}it] out of the holding as relating to shares acquired later rather than earlier; and if a disposal by ^{F305}it] is of qualifying shares forming part of a holding and ^{F305}it] makes a claim under section 573 ^{F306}. . . in respect of a loss incurred on their disposal, the amount of relief under that section on the disposal shall not exceed the sums that would be allowed as deductions in computing the loss if the shares had not been part of the holding.

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[^{F307}(1A) ^{F308}

(1B) ^{F308}]

[^{F309}(1C) Where the holding mentioned in subsection (1) above comprises any shares—
(a) to which investment relief is attributable under Schedule 15 to the Finance Act 2000 (corporate venturing scheme), and
(b) which have been held continuously (within the meaning of paragraph 97 of that Schedule) from the time they were issued until the disposal,

any such question as is mentioned in that subsection shall not be determined as provided by that subsection, but shall be determined instead as provided by paragraph 93 of that Schedule (identification of shares on a disposal of part of a holding where investment relief is attributable to any shares in the holding held continuously by the disposing company).

For this purpose paragraph 93 of that Schedule shall have effect as if the references in it to a disposal had the same meaning as in subsection (1) above.]

[^{F310}(1D) In this section “holding” means any number of shares of the same class held by one company in one capacity, growing or diminishing as shares of that class are acquired or disposed of.

For this purpose—

- (a) shares are not to be treated as being of the same class unless they are so treated by the practice of a recognised stock exchange or would be so treated if dealt in on such an exchange, and
- (b) subsection (4) of section 104 of the 1992 Act applies as it applies for the purposes of subsection (1) of that section.]

(2) ^{F311}

(3) ^{F311}

[^{F312}(4) ^{F311}

(4A) ^{F311}

(4B) ^{F311}]

(5) ^{F311}

Textual Amendments

F300 Words in s. 576 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. 120(2)** (with Sch. 2)

F301 Words in s. 576(1) inserted (with effect in accordance with s. 80(5)(a) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), **s. 80(1)**

F302 Words in s. 576(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. 120(3)(a)** (with Sch. 2)

F303 Words in s. 576(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. 120(3)(b)** (with Sch. 2)

F304 Words in s. 576(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. 120(3)(c)** (with Sch. 2)

F305 Words in s. 576(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. 120(3)(d)** (with Sch. 2)

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- F306** Words in s. 576(1) 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. 120(2)(e), **Sch. 3 Pt. 1** (with Sch. 2)
- F307** S. 576(1A)(1B) inserted (with effect in accordance with s. 80(5)(a) of the amending Act) by Finance Act 1998 (c. 36), **s. 80(2)**
- F308** S. 576(1A)(1B) 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. 120(4), **Sch. 3 Pt. 1** (with Sch. 2)
- F309** S. 576(1C) inserted (with application in accordance with s. 63(4) of the amending Act) by Finance Act 2000 (c. 17), **Sch. 16 para. 3(4)(b)**
- F310** S. 576(1D) 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. 120(5)** (with Sch. 2)
- F311** S. 576(2)-(5) 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. 120(6), **Sch. 3 Pt. 1** (with Sch. 2)
- F312** S. 576(4)-(4B) substituted for s. 576(4) (with effect in accordance with s. 80(5)(b) of the amending Act) by Finance Act 1998 (c. 36), **s. 80(3)**

Modifications etc. (not altering text)

- C22** Ss. 574-576 applied (with effect in accordance with s. 93(11) of the affecting Act) by Finance Act 1994 (c. 9), **Sch. 12 para. 3(3)**
- C23** S. 576 transposed from Pt. 13 Ch. 6 to Pt. 13 Ch. 5A (6.4.2007 with effect in accordance with s. 1034(1) of the affecting Act) by Income Tax Act 2007 (c. 3), **Sch. 1 para. 120(7)** (with Sch. 2)

[^{F313}576A] Qualifying trading companies

- (1) For the purposes of this Chapter a qualifying trading company is a company which meets each of conditions A to D.
- (2) Condition A is that the company either—
 - (a) meets each of the following requirements on the date of the disposal—
 - (i) the trading requirement (see section 576B),
 - (ii) the control and independence requirement (see section 576D),
 - (iii) the qualifying subsidiaries requirement (see section 576E), and
 - (iv) the property managing subsidiaries requirement (see section 576F), or
 - (b) has ceased to meet any of those requirements at a time which is not more than 3 years before that date and has not since that time been an excluded company, an investment company or a trading company.
- (3) Condition B is that the company either—
 - (a) has met each of the requirements mentioned in condition A for a continuous period of 6 years ending on that date or at that time, or
 - (b) has met each of those requirements for a shorter continuous period ending on that date or at that time and has not before the beginning of that period been an excluded company, an investment company or a trading company.
- (4) Condition C is that the company—
 - (a) met the gross assets requirement (see section 576G) both immediately before and immediately after the issue of the shares in respect of which the relief is claimed under this Chapter, and
 - (b) met the unquoted status requirement (see section 576H) at the relevant time within the meaning of that section.
- (5) Condition D is that the company has carried on its business wholly or mainly in the United Kingdom throughout the period—

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Changes to legislation: Income and Corporation Taxes Act 1988, PART XIII is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (a) beginning with the incorporation of the company or, if later, 12 months before the shares in question were issued, and
- (b) ending with the date of the disposal.]

Textual Amendments

F313 S. 576A 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. 121](#) (with [Sch. 2](#))

[^{F314}Qualifying trading companies: the requirements

Textual Amendments

F314 S. 576B and preceding cross-heading 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. 122](#) (with [Sch. 2](#))

576B The trading requirement

- (1) The trading requirement is that—
 - (a) the company, disregarding any incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, or
 - (b) the company is a parent company and the business of the group does not consist wholly or as to a substantial part in the carrying on of non-qualifying activities.
- (2) If the company intends that one or more other companies should become its qualifying subsidiaries with a view to their carrying on one or more qualifying trades—
 - (a) the company is treated as a parent company for the purposes of subsection (1)(b), and
 - (b) the reference in subsection (1)(b) to the group includes the company and any existing or future company that will be its qualifying subsidiary after the intention in question is carried into effect.

This subsection does not apply at any time after the abandonment of that intention.

- (3) For the purpose of subsection (1)(b) the business of the group means what would be the business of the group if the activities of the group companies taken together were regarded as one business.
- (4) For the purpose of determining the business of a group, activities are disregarded to the extent that they are activities carried on by a mainly trading subsidiary otherwise than for its main purpose.
- (5) For the purposes of determining the business of a group, activities of a group company are disregarded to the extent that they consist in—
 - (a) the holding of shares in or securities of a qualifying subsidiary of the parent company,
 - (b) the making of loans to another group company,
 - (c) the holding and managing of property used by a group company for the purpose of one or more qualifying trades carried on by a group company, or

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- (d) the holding and managing of property used by a group company for the purpose of research and development from which it is intended—
- (i) that a qualifying trade to be carried on by a group company will be derived, or
 - (ii) that a qualifying trade carried on or to be carried on by a group company will benefit.
- (6) Any reference in subsection (5)(d)(i) or (ii) to a group company includes a reference to any existing or future company which will be a group company at any future time.
- (7) In this section—
- “excluded activities” has the meaning given by section 192 of ITA 2007 read with sections 193 to 199 of that Act,
- “group” means a parent company and all its qualifying subsidiaries,
- “group company”, in relation to a group, means the parent company or any of its qualifying subsidiaries,
- “incidental purposes” means purposes having no significant effect (other than in relation to incidental matters) on the extent of the activities of the company in question,
- “mainly trading subsidiary” means a subsidiary which, apart from incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, and any reference to the main purpose of such a subsidiary is to be read accordingly,
- “non-qualifying activities” means—
- (a) excluded activities, and
 - (b) activities (other than research and development) carried on otherwise than in the course of a trade,
- “parent company” means a company that has one or more qualifying subsidiaries,
- “qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007,
- “qualifying trade” has the meaning given by section 189 of that Act,
- “research and development” has the meaning given by section 837A.
- (8) In sections 189(1)(b) and 194(4)(c) of ITA 2007 (as applied by subsection (7) for the purposes of the definitions of “excluded activities” and “qualifying trade”) “period B” means the continuous period that is relevant for the purposes of section 576A(3).
- [^{F315}(9) In section 195 of ITA 2007 as applied by subsection (7) for the purposes mentioned in subsection (8), references to the issuing company are to be read as references to the company mentioned in subsection (1).]

Textual Amendments

F315 S. 576B(9) inserted (6.4.2007) by [Finance Act 2007 \(c. 11\)](#), Sch. 16 paras. 11(3), 13

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.
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[^{F316}576C] **Ceasing to meet the trading requirement because of administration or receivership**

- (1) A company is not regarded as ceasing to meet the trading requirement by reason only of anything done in consequence of the company or any of its subsidiaries being in administration or receivership.

This has effect subject to subsections (2) and (3).

- (2) Subsection (1) applies only if—
- (a) the entry into administration or receivership, and
 - (b) everything done as a result of the company concerned being in administration or receivership,

is for genuine commercial reasons, and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

- (3) A company ceases to meet the trading requirement if before the time that is relevant for the purposes of section 576A(2)—
- (a) a resolution is passed, or an order is made, for the winding up of the company or any of its subsidiaries (or, in the case of a winding up otherwise than under the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989, any other act is done for the like purpose), or
 - (b) the company or any of its subsidiaries is dissolved without winding up.

This is subject to subsection (4).

- (4) Subsection (3) does not apply if —
- (a) the winding up is for genuine commercial reasons, and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax, and
 - (b) the company continues, during the winding up, to be a trading company.

- (5) References in this section to a company being “in administration” or “in receivership” are to be read in accordance with section 252 of ITA 2007.]

Textual Amendments

F316 S. 576C 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. 123](#) (with Sch. 2)

[^{F317}576D] **The control and independence requirement**

- (1) The control element of the requirement is that—
- (a) the company must not control (whether on its own or together with any person connected with it) any company which is not a qualifying subsidiary of the company, and
 - (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a) (whether at a time during the continuous period that is relevant for the purposes of section 576A(3) or otherwise).

- (2) The independence element of the requirement is that—

- (a) the company must not—
 - (i) be a 51% subsidiary of another company, or

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- (ii) be under the control of another company (or of another company and any other person connected with that other company), without being a 51% subsidiary of that other company, and
- (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a) (whether at a time during the continuous period that is relevant for the purposes of section 576A(3) or otherwise).

(3) This section is subject to section 576J(3).

^{F318}(3A) [Section 839 (connected persons) applies for the purposes of this section.]

(4) In this section—

“arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable,

“control” is to be read as follows—

- (a) in subsection (1)(a), in accordance with section 416(2) to (6),
- (b) in subsection (2)(a), in accordance with section 840,

“qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007.]

Textual Amendments

F317 S. 576D 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. 124](#) (with [Sch. 2](#))

F318 S. 576D(3A) inserted (retrospective to 6.4.2007 and with effect in accordance with art. 1(2) of the amending S.I.) by [The Income Tax Act 2007 \(Amendment\) \(No. 2\) Order 2009 \(S.I. 2009/2859\)](#), [art. 2\(2\)](#)

^{F319}576E The qualifying subsidiaries requirement

- (1) The qualifying subsidiaries requirement is that any subsidiary that the company has must be a qualifying subsidiary of the company.
- (2) In this section “qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007.]

Textual Amendments

F319 S. 576E 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. 125](#) (with [Sch. 2](#))

^{F320}576F The property managing subsidiaries requirement

- (1) The property managing subsidiaries requirement is that any property managing subsidiary that the company has must be a qualifying 90% subsidiary of the company.
- (2) In this section—
 - “property managing subsidiary” has the meaning given by section 188(2) of ITA 2007,

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“qualifying 90% subsidiary” has the meaning given by section 190 of that Act.]

Textual Amendments

F320 S. 576F 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. 126](#) (with [Sch. 2](#))

[^{F321}576G] The gross assets requirement

- (1) The gross assets requirement in the case of a single company is that the value of the company's gross assets—
 - (a) must not exceed £7 million immediately before the shares in respect of which the relief is claimed under this Chapter are issued, and
 - (b) must not exceed £8 million immediately afterwards.
- (2) The gross assets requirement in the case of a parent company is that the value of the group assets—
 - (a) must not exceed £7 million immediately before the shares in respect of which the relief is claimed under this Chapter are issued, and
 - (b) must not exceed £8 million immediately afterwards.
- (3) The value of the group assets means the aggregate of the values of the gross assets of each of the members of the group, disregarding any that consist in rights against, or shares in or securities of, another member of the group.
- (4) In this section—
 - “group” means a parent company and its qualifying subsidiaries,
 - “parent company” means a company that has one or more qualifying subsidiaries,
 - “qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007, and
 - “single company” means a company that does not have one or more qualifying subsidiaries.]

Textual Amendments

F321 S. 576G 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. 127](#) (with [Sch. 2](#))

[^{F322}576H] The unquoted status requirement

- (1) The unquoted status requirement is that, at the time (“the relevant time”) at which the shares in respect of which the relief is claimed under this Chapter are issued—
 - (a) the company must be an unquoted company,
 - (b) there must be no arrangements in existence for the company to cease to be an unquoted company, and
 - (c) there must be no arrangements in existence for the company to become a subsidiary of another company (“the new company”) by virtue of an exchange of shares, or shares and securities, if—

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- (i) section 576J applies in relation to the exchange, and
 - (ii) arrangements have been made with a view to the new company ceasing to be an unquoted company.
- (2) The arrangements referred to in subsection (1)(b) and (c)(ii) do not include arrangements in consequence of which any shares, stocks, debentures or other securities of the company or the new company are at any subsequent time—
- (a) listed on a stock exchange that is a recognised stock exchange by virtue of an order made under section ^{F323}1005(1)(b) of ITA 2007, or
 - (b) listed on an exchange, or dealt in by any means, designated by an order made for the purposes of section 184(3)(b) or (c) of that Act,
- if the order was made after the relevant time.
- (3) In this section—
- “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable,
 - “debenture” has the meaning given by section 744 of the Companies Act 1985,
 - “unquoted company” has the meaning given by section 184(2) of ITA 2007.]

Textual Amendments

F322 S. 576H 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. 128** (with Sch. 2)

F323 Words in s. 576H(2)(a) substituted (19.7.2007) by *Finance Act 2007 (c. 11)*, **Sch. 26 para. 7(5)**

^{F324}576I Power to amend requirements by Treasury order]

The Treasury may by order make such amendments of sections 576B to 576H as they consider appropriate.]

Textual Amendments

F324 S. 576I 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. 129** (with Sch. 2)

^{F325}Qualifying trading companies: supplementary provisions

Textual Amendments

F325 S. 576J and preceding cross-heading 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. 130** (with Sch. 2)

576J Relief after an exchange of shares for shares in another company

- (1) This section and section 576K apply in relation to shares if—

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.
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- (a) a company (“the new company”) in which the only issued shares are subscriber shares acquires all the shares (“old shares”) in another company (“the old company”),
- (b) the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company,
- (c) the consideration for the new shares of each description consists wholly of old shares of the corresponding description,
- (d) new shares of each description are issued to the holders of old shares of the corresponding description in respect of and in proportion to their holdings, and
- (e) by virtue of section 127 of the 1992 Act as applied by section 135(3) of that Act (company reconstructions etc), the exchange of shares is not to be treated as involving a disposal of the old shares or an acquisition of the new shares.

In this subsection references to shares, except the first and that in the expression “subscriber shares”, include securities.

- (2) For the purposes of this Chapter the exchange of shares is not regarded as involving any disposal of the old shares or any acquisition of the new shares.
- (3) Nothing in section 576D (the control and independence requirement) applies in relation to such an exchange of shares, or shares and securities, as is mentioned in subsection (1), or arrangements with a view to such an exchange.
- (4) For the purposes of this section old shares and new shares are of a corresponding description if, on the assumption that they were shares in the same company, they would be of the same class and carry the same rights.
- (5) References in section 576K to “old shares”, “new shares”, “the old company” and “the new company” are to be read in accordance with this section.

[^{F326}576K] Substitution of new shares for old shares]

- (1) Subsection (2) applies if, in the case of any new shares held by a company or by a nominee for a company, the old shares for which they were exchanged were shares that had been subscribed for by the company (“the investor”).
- (2) This Chapter has effect as if—
 - (a) the new shares had been subscribed for by the investor at the time when, and for the amount for which, the old shares were subscribed for by the investor,
 - (b) the new shares had been issued by the new company at the time when the old shares were issued to the investor by the old company, and
 - (c) any requirements of this Chapter which were met at any time before the exchange by the old company had been met at that time by the new company.
- (3) Section 573(6) applies for the purposes of this section.

[Nothing in subsection (2) applies in relation to section 195(7) of ITA 2007 as applied ^{F327}(4) by section 576B(7) above for the purposes mentioned in section 576B(8).]

Textual Amendments

F326 S. 576K 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. 131](#) (with [Sch. 2](#))

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.

Changes to legislation: *Income and Corporation Taxes Act 1988, PART XIII is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

F327 S. 576K(4) inserted (6.4.2007) by [Finance Act 2008 \(c. 9\)](#), [Sch. 16 paras. 11\(4\), 13](#)

[^{F328}Supplemental]

Textual Amendments

F328 S. 576L and preceding cross-heading 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. 132](#) (with [Sch. 2](#))

576L Interpretation of Chapter

- (1) In this Chapter (subject to subsections (2) to (5))—
- “excluded company” means a company which—
- (a) has a trade which consists wholly or mainly of dealing in land, in commodities or futures or in shares, securities or other financial instruments,
 - (b) has a trade which is not carried on on a commercial basis and in such a way that profits in the trade can reasonably be expected to be realised,
 - (c) is a holding company of a group other than a trading group, or
 - (d) is a building society or a registered industrial and provident society,
- “group” (except in sections 576B and 576G) means a company which has one or more 51% subsidiaries together with that or those subsidiaries,
- “holding company” means a company whose business consists wholly or mainly in the holding of shares or securities of companies which are its 51% subsidiaries,
- “investment company” has the meaning given by section 130 except that it does not include the holding company of a trading group,
- “registered industrial and provident society” means a society registered or treated as registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) Act 1969,
- “shares”—
- (a) includes stock, but
 - (b) does not include shares or stock not forming part of a company's ordinary share capital,
- “trading company” means a company other than an excluded company which is—
- (a) a company whose business consists wholly or mainly of the carrying on of a trade or trades, or
 - (b) the holding company of a trading group, and
- “trading group” means a group the business of whose members, when taken together, consists wholly or mainly in the carrying on of a trade or trades.
- (2) Except as provided by subsection (3), paragraph (b) of the definition of “shares” in subsection (1) does not apply in the definition of “excluded company” in subsection (1) or in section 576J(1) to (4).
- (3) Paragraph (b) of that definition applies in relation to the first reference to “shares” in section 576J(1).

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- (4) The definition of “shares” in subsection (1) does not apply in sections 576B(5)(a), 576G(3) and 576H(1)(c) and (2).
- (5) For the purposes of the definition of “trading group” in subsection (1), any trade carried on by a subsidiary which is an excluded company is treated as not constituting a trade.]

CHAPTER VI

OTHER PROVISIONS

Modifications etc. (not altering text)

- C24** Pt 13 Ch. 6: ss. 573, 575 and 576 transposed to Pt. 13 Ch. 5A (6.4.2007 with effect in accordance with s. 1034(1) of the affecting Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 1 paras. 117\(3\), 119\(7\), 120\(7\)](#) (with [Sch. 2](#))

Relief for losses on unquoted shares in trading companies

574 Relief for individuals.

F329

Textual Amendments

- F329** [S. 574](#) 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. 118](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

Miscellaneous

577 Business entertaining expenses.

- (1)^{M57} Subject to the provisions of this section—
 - (a) no deduction shall be made in computing [^{F330}profits] chargeable to [^{F331}corporation tax] under ^{F332} . . . Schedule D for any expenses incurred in providing business entertainment, and such expenses—
 - [^{F333}(i)] shall not be included in computing any expenses of management in respect of which relief may be given under [^{F334}the Corporation Tax Acts]; [^{F335}and
 - (ii) shall not be brought into account under section 76 as expenses payable]. [^{F336F337} . . .]
 - (b) ^{F337}
 - (c) ^{F338}
- (2) ^{F339}
- (3) The expenses to which paragraph (a) of subsection (1) above applies include, in the case of [^{F340}any company], any sums paid [^{F341}by the company] to, or on behalf of,

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or placed [^{F341}by the company] at the disposal of [^{F342}an employee of the company] exclusively for the purpose of defraying expenses incurred or to be incurred by him in providing business entertainment ^{F343}

- (4) ^{F339}
- (5) For the purposes of this section “business entertainment” means entertainment (including hospitality of any kind) provided by [^{F344}a company], or by [^{F345}an employee of the company], in connection with a trade carried on by [^{F346}the company], but does not include anything provided by [^{F347}the company] for bona fide [^{F348}employees of the company] unless its provision for them is incidental to its provision also for others.
- (6) ^{F339}
- (7) In this section—
- (a) any reference to expenses incurred in ^{F349} . . . providing entertainment includes a reference to expenses incurred in ^{F349} . . . providing anything incidental thereto;
 - (b) references to a trade include references to any business [^{F350}or profession]; and
 - (c) references to [^{F351}a company's employees] are references to persons employed by [^{F352}the company], directors of [^{F353}the company] or persons engaged in the management of [^{F353}the company] being for this purpose deemed to be persons employed by it.
- (8) This section shall apply in relation to the provision of a gift as it applies in relation to the provision of entertainment, except that it shall not by virtue of this subsection apply in relation to the provision for any person of a gift consisting of an article incorporating a conspicuous advertisement for the donor, being an article—
- (a) which is not food, drink, tobacco or a token or voucher exchangeable for goods; and
 - (b) the cost of which to the donor, taken together with the cost to [^{F354}the donor] of any other such articles given by [^{F354}the donor] to that person in the same [^{F355}accounting period], does not exceed [^{F356}£50].
- [^{F357}(8A) ^{F358}]
- (9) ^{M58}Subsection (8) above shall not preclude the deduction, in computing [^{F330}profits] under ^{F332} . . . Case I or II of Schedule D, of expenditure incurred in making a gift to a body of persons or trust established for charitable purposes only; and for the purposes of this subsection the Historic Buildings and Monuments Commission for England and the Trustees of the National Heritage Memorial Fund shall each be treated as such a body of persons.
- (10) ^{M59}Nothing in this section shall be taken as precluding the deduction of expenses incurred in ^{F359} . . . the provision by [^{F360}any company] of anything which it is [^{F361}its trade] to provide, and which is provided [^{F362}by the company] in the ordinary course of that trade for payment or, with the object of advertising to the public generally, gratuitously.

Textual Amendments

F330 Words in s. 577(1)(a)(9) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a), Sch. 7 para.

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Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.

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- F331** Words in s. 577(1)(a) 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. 235(2)(a)** (with Sch. 2)
- F332** Words in s. 577(1)(9) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by **Finance Act 1998 (c. 36), Sch. 27 Pt. 3(4)**, Note
- F333** Words in s. 577(1)(a) re-numbered as s. 577(1)(a)(i) (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by virtue of The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 23(2)(a)
- F334** Words in s. 577(1)(a)(i) 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. 235(2)(b)** (with Sch. 2)
- F335** S. 577(1)(a)(ii) and preceding word inserted (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 23(2)(b)
- F336** Word at the end of s. 577(1)(a) inserted (with effect in accordance with s. 579 of the amending Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 51(1)(a)**
- F337** S. 577(1)(b) and preceding word repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by **Income Tax (Earnings and Pensions) Act 2003 (c. 1), Sch. 6 para. 62(2), Sch. 8 Pt. 1** (with Sch. 7)
- F338** S. 577(1)(c) and preceding word repealed (with effect in accordance with s. 579 of the repealing Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 51(1)(b), Sch. 4**
- F339** S. 577(2)(4)(6) repealed (with effect in accordance with s. 72(1) of the repealing Act) by **Finance Act 1988 (c. 39), Sch 14 Pt. 4**
- F340** Words in s. 577(3) 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. 235(3)(a)** (with Sch. 2)
- F341** Words in s. 577(3) 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. 235(3)(b)** (with Sch. 2)
- F342** Words in s. 577(3) 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. 235(3)(c)** (with Sch. 2)
- F343** Words in s. 577(3) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by **Income Tax (Earnings and Pensions) Act 2003 (c. 1), Sch. 6 para. 62(3), Sch. 8 Pt. 1** (with Sch. 7)
- F344** Words in s. 577(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. 235(4)(a)** (with Sch. 2)
- F345** Words in s. 577(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. 235(4)(b)** (with Sch. 2)
- F346** Words in s. 577(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. 235(4)(c)** (with Sch. 2)
- F347** Words in s. 577(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. 235(4)(d)** (with Sch. 2)
- F348** Words in s. 577(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. 235(4)(e)** (with Sch. 2)
- F349** Words in s. 577(7)(a) repealed (with effect in accordance with s. 579 of the repealing Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 51(2), Sch. 4**
- F350** Words in s. 577(7)(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. 235(5)(a)** (with Sch. 2)
- F351** Words in s. 577(7)(c) 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. 235(5)(b)(i)** (with Sch. 2)
- F352** Words in s. 577(7)(c) 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. 235(5)(b)(ii)** (with Sch. 2)
- F353** Words in s. 577(7)(c) 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. 235(5)(b)(iii)** (with Sch. 2)

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- F354** Words in s. 577(8)(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. 235(6)(a)** (with Sch. 2)
- F355** Words in s. 577(8)(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. 235(6)(b)** (with Sch. 2)
- F356** Words in s. 577(8)(b) substituted (with application in accordance with s. 73(4) of the amending Act) by **Finance Act 2001 (c. 9), s. 73(2)(b)**
- F357** S. 577(8A) inserted (with application in accordance with s. 73(4) of the amending Act) by **Finance Act 2001 (c. 9), s. 73(3)**
- F358** S. 577(8A) 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. 235(7), Sch. 3** (with Sch. 2)
- F359** Words in s. 577(10) repealed (with effect in accordance with s. 579 of the repealing Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 51(3), Sch. 4**
- F360** Words in s. 577(10) 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. 235(8)(a)** (with Sch. 2)
- F361** Words in s. 577(10) 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. 235(8)(b)** (with Sch. 2)
- F362** Words in s. 577(10) 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. 235(8)(c)** (with Sch. 2)

Marginal Citations

- M57** Source-1970 s.411(1)-(8); 1985 s.43; 1971 s.50(8)
M58 Source-1980 s.54, 118(3); 1983 s.46(3)(b)
M59 Source-1970 s.411(9)

[^{F363}577A] Expenditure involving crime.

- (1) In computing [^{F364}profits] chargeable to [^{F365}corporation tax] under ^{F366}... Schedule D, no deduction shall be made for any expenditure incurred —
- [^{F367}(a)] in making a payment the making of which constitutes the commission of a criminal offence [^{F368}, or
- (b) in making a payment outside the United Kingdom where the making of a corresponding payment in any part of the United Kingdom would constitute a criminal offence there.]
- [^{F369}(1A) In computing [^{F364}profits] chargeable to [^{F365}corporation tax] under ^{F366}... Schedule D, no deduction shall be made for any expenditure incurred in making a payment induced by a demand constituting—
- (a) the commission in England or Wales of the offence of blackmail under section 21 of the Theft Act 1968,
- (b) the commission in Northern Ireland of the offence of blackmail under section 20 of the Theft Act (Northern Ireland) 1969, or
- (c) the commission in Scotland of the offence of extortion.]
- (2) [^{F370}Any expenditure mentioned in subsection (1) or (1A) above]—
- [^{F371}(a)] shall not be included in computing any expenses of management in respect of which relief may be given under [^{F372}the Corporation Tax Acts][^{F373}; and
- (b) shall not be brought into account under section 76 as expenses payable].]

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Textual Amendments

- F363** S. 577A inserted (with application in accordance with s. 123(2) of the amending Act) by Finance Act 1993 (c. 34), s. 123(1)(2)
- F364** Words in s. 577A(1)(1A) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a), Sch. 7 para. 1
- F365** Words in s. 577A(1)(1A) 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. 236(2) (with Sch. 2)
- F366** Words in s. 577A(1)(1A) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), Sch. 27 Pt. 3(4), Note
- F367** Words in s. 577A(1) renumbered as s. 577A(1)(a) (with effect in accordance with s. 68(2) of the amending Act) by virtue of Finance Act 2002 (c. 23), s. 68(1)(a)
- F368** S. 577A(1)(b) and preceding word inserted (with effect in accordance with s. 68(2) of the amending Act) by Finance Act 2002 (c. 23), s. 68(1)(b)
- F369** S. 577A(1A) inserted (with application in accordance with s. 141(4) of the amending Act) by Finance Act 1994 (c. 9), s. 141(2)
- F370** Words in s. 577A(2) substituted (with application in accordance with s. 141(4) of the amending Act) by Finance Act 1994 (c. 9), s. 141(3)
- F371** Words in s. 577A(2) re-numbered as s. 577A(2)(a) (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by virtue of The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 24(2)(a)
- F372** Words in s. 577A(2) 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. 236(3) (with Sch. 2)
- F373** S. 577A(2)(b) and preceding word inserted (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 24(2)(b)

578 Housing grants.

^{M60}(1) Where, under any enactment relating to the giving of financial assistance for the provision, maintenance or improvement of housing accommodation or other residential accommodation, a payment is made to a person by way of grant or other contribution towards expenses incurred, or to be incurred, by that or any other person, the payment shall not be treated as a receipt in computing income for [^{F374}corporation tax purposes].

(2) Subsection (1) above shall not apply to a payment in so far as it is made in respect of an expense giving rise to a deduction in computing income for any tax purpose.

Textual Amendments

- F374** Words in s. 578(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. 237 (with Sch. 2)

Marginal Citations

- M60** Source-1970 s.376

[^{F375}578A] Expenditure on car hire

(1) This section provides for a reduction in the amounts—

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- (a) allowable as deductions in computing profits chargeable to [^{F376}corporation tax] under Case I or II of Schedule D, [^{F377} or]
- (b) which can be included as expenses of management of [^{F378}a company with investment business] (as defined by section 130), ^{F379} . . . [^{F380} or
- (bb) which can be brought into account under section 76 as expenses payable,]
- (c) ^{F379}

for expenditure on the hiring of a car to which this section applies.

- (2) This section applies to the hiring of a car—
 - (a) which is not a qualifying hire car, and
 - (b) the retail price of which when new exceeds £12,000.

“Car” and “qualifying hire car” are defined by section 578B.

[This section does not apply to the hiring of a car, other than a motorcycle, if—

- ^{F381}(2A) (a) it is an electrically-propelled car, or
- (b) it is a car with low CO₂ emissions.

(2B) In subsection (2A) above—

- “car” has the meaning given by section 578B;
- “car with low CO₂ emissions” has the meaning given by section 45D of the Capital Allowances Act 2001 (expenditure on cars with low CO₂ emissions to be first-year qualifying expenditure);
- “electrically-propelled car” has the meaning given by that section.]

- (3) The amount which would, apart from this section, be allowable or capable of being included must be reduced by multiplying it by the fraction—

$$\frac{\pounds 12,000 + P}{2P}$$

where P is the retail price of the car when new.

- (4) If an amount has been reduced under subsection (3) and subsequently—
 - (a) there is a rebate (however described) of the rentals, or
 - (b) there occurs in connection with the rentals a transaction that falls within section 94 (debts deducted and subsequently released),
 the amount otherwise taxable in respect of the rebate or transaction must be reduced by multiplying it by the fraction in subsection (3) above.]

Textual Amendments

- F375** Ss. 578A, 578B inserted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 52](#) (with [Sch. 3 para. 113](#))
- F376** Words in s. 578A(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. 238](#) (with [Sch. 2](#))
- F377** Word at the end of s. 578A(1)(a) inserted (with effect in accordance with s. 57(4) of the amending Act) by [Finance Act 2001 \(c. 9\), Sch. 12 Pt. 2 para. 11\(a\)](#)

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- F378** Words in s. 578A(1) substituted (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 25(2)
- F379** S. 578A(1)(c) and preceding word repealed (with effect in accordance with s. 57(4), Sch. 33 Pt. 2(1) Note of the repealing Act) by Finance Act 2001 (c. 9), Sch. 12 Pt. 2 para. 11(b), Sch. 33 Pt. 2(1)
- F380** S. 578A(2)(bb) and preceding word inserted (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 25(3)
- F381** S. 578A(2A)(2B) inserted (with effect in accordance with s. 60(2) of the amending Act) by Finance Act 2002 (c. 23), s. 60(1)

Modifications etc. (not altering text)

- C25** S. 578A(2)(3) modified (with effect in accordance with s. 80(2) of the 2002 amending Act) by Finance Act 1993 (c. 34), s. 93A(4)(a)(6)(a) (as inserted by Finance Act 2002 (c. 23), Sch. 24 para. 4)

[^{F375}**578B** Expenditure on car hire: supplementary

- (1) In section 578A “car” means a mechanically propelled road vehicle other than one—
- (a) of a construction primarily suited for the conveyance of goods or burden of any description, or
 - (b) of a type not commonly used as a private vehicle and unsuitable for such use.
- References to a car accordingly include a motor cycle.
- (2) For the purposes of section 578A, a car is a qualifying hire car if—
- (a) it is hired under a hire-purchase agreement (within the meaning of section 784(6)) under which there is an option to purchase exercisable on the payment of a sum equal to not more than 1 per cent. of the retail price of the car when new, or
 - (b) it is a qualifying hire car for the purposes of Part 2 of the Capital Allowances Act (under section 82 of that Act).
- (3) In section 578A and this section “new” means unused and not second-hand.
- (4) The power under section 74(4) of the Capital Allowances Act to increase or further increase the sums of money specified in Chapter 8 of Part 2 of that Act includes the power to increase or further increase the sum of money specified in section 578A(2)(b) or (3).]

Textual Amendments

- F375** Ss. 578A, 578B inserted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 52 (with Sch. 3 para. 113)

579 Statutory redundancy payments.

^{M61}(1) ^{F382}

- (2) Where a redundancy payment or other employer’s payment is made [^{F383}by a company] in respect of employment wholly in a [^{F384}trade or profession] carried on by [^{F385}the company], and within the charge to tax, the amount of the redundancy payment or the corresponding amount of the other employer’s payment shall (if not otherwise so

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allowable) be allowable as a deduction in computing for the purposes of Schedule D the [^{F386}profits] or losses of the [^{F384}trade or profession], but—

- (a) ^{F387}
- (b) if the employer's payment was made after the discontinuance of the [^{F384}trade or profession] the ^{F388} . . . amount so deductible shall be treated as if it were a payment made on the last day on which the [^{F384}trade or profession] was carried on.

[^{F389}(3) Where a redundancy payment or other employer's payment is made [^{F390}by a company] in respect of employment wholly in a business carried on by [^{F391}the company] and—

- (a) expenses of management of the business are deductible under section 75, or
- (b) a deduction for expenses payable falls to be allowed in accordance with section 76 in computing profits of the business,

the amount of the redundancy payment, or the corresponding amount of the other employer's payment, shall (to the extent that it would not otherwise fall to be so treated) be deductible under section 75 as expenses of management or as the case may be, be included at Step 1 in section 76(7).

(3A) If in a case where subsection (3) above applies, the payment in question is for the purposes of section 75 or 76 referable to an accounting period beginning after discontinuance, it shall be treated as referable to the accounting period ending on the last day on which the business was carried on.]

(4) ^{F392}

(5) Relief shall not be given under [^{F393}subsections (2) and (3)] above, or otherwise, more than once in respect of any employer's payment, and if the employee was being employed in such a way that different parts of his remuneration fell for [^{F394}corporation tax purposes] to be treated in different ways—

- (a) the amount [^{F395}of the redundancy payment or the corresponding amount of the other employer's payment] shall be apportioned to the different capacities in which the employee was employed; and
- (b) [^{F393}subsections (2) and (3)] above shall apply separately to the employment in those capacities, and by reference to the apportioned part of that amount, instead of by reference to the full amount of the employer's payment ^{F396}

(6) Where the Minister pays a sum under [^{F397}section 166 of the Employment Rights Act 1996] or [^{F398}Article 201 of the Employment Rights (Northern Ireland) Order 1996] in respect of an employer's payment this section shall apply as if—

- (a) that sum had been paid on account of that redundancy or other employer's payment, and
- (b) so far as [^{F399}the company] has reimbursed the Minister, it had been so paid by [^{F399}the company].

Textual Amendments

F382 S. 579(1) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 63, Sch. 8 Pt. 1](#) (with Sch. 7)

F383 Words in s. 579(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. 239\(2\)\(a\)](#) (with Sch. 2)

F384 Words in s. 579(2) 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. 239\(2\)\(b\)](#) (with Sch. 2)

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- F385** Words in s. 579(2) 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. 239(2)(c)** (with Sch. 2)
- F386** Words in s. 579(2) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a), **Sch. 7 para. 1**
- F387** S. 579(2)(a) repealed (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 3 Pt. 1**
- F388** Word in s. 579(2)(b) repealed (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 3 Pt. 1**
- F389** S. 579(3)(3A) substituted for s. 579(3) (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 26(2)
- F390** Words in s. 579(3) 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. 239(3)(a)** (with Sch. 2)
- F391** Words in s. 579(3) 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. 239(3)(b)** (with Sch. 2)
- F392** S. 579(4) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), Sch. 5 para. 43, **Sch. 27 Pt. 3(4)**, Note (with Sch. 5 para. 73)
- F393** Words in s. 579(5) substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 5 para. 43** (with Sch. 5 para. 73)
- F394** Words in s. 579(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. 239(4)** (with Sch. 2)
- F395** Words in s. 579(5)(a) substituted (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 1 para. 35(2)(a)**
- F396** Words in s. 579(5)(b) repealed (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 3 Pt. 1**
- F397** Words in s. 579(6) substituted (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 1 para. 35(2)(b)**
- F398** Words in s. 579(6) substituted (24.9.1996) by The Employment Rights (Northern Ireland) Order 1996 (S.I. 1996/1919 (N.I. 16)), arts. 1(2), 255, **Sch. 1** (with Sch. 2 para. 1)
- F399** Words in s. 579(6)(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. 239(5)** (with Sch. 2)

Modifications etc. (not altering text)

- C26** S. 579 modified (with effect in accordance with s. 39(3)-(5) of the modifying Act) by Finance Act 1995 (c. 4), **Sch. 6 para. 23**

Marginal Citations

- M61** Source-1970 s.412(1)-(6)

580 Provisions supplementary to section 579.

^{M62}(1) In section 579—

- (a) “redundancy payment”^{F400} and “employer’s payment” have the same meaning as in Part XI of the Employment Rights Act 1996] or [^{F401}Part XII of the Employment Rights (Northern Ireland) Order 1996];
- (b) references to the corresponding amount of an employer’s payment (other than a redundancy payment) are references to the amount of that employer’s payment so far as not in excess of the amount [^{F402}which would have been payable as a redundancy payment had one been payable;]
- (c) “the Minister” in relation to [^{F403}the Employment Rights Act 1996] means the Secretary of State and in relation to [^{F404}the Employment Rights (Northern Ireland) Order 1996] means the Department of Health and Social Services.

(2) ^{F405}

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(3) ^{F406}

Textual Amendments

- F400** Words in s. 580(1)(a) substituted (22.8.1996) by [Employment Rights Act 1996 \(c. 18\)](#), s. 243, **Sch. 1 para. 35(3)(a)**
- F401** Words in s. 580(1)(a) substituted (24.9.1996) by [The Employment Rights \(Northern Ireland\) Order 1996 \(S.I. 1996/1919 \(N.I. 16\)\)](#), arts. 1(2), 255, **Sch. 1** (with Sch. 2 para. 1)
- F402** Words in s. 580(1)(b) substituted (22.8.1996) by [Employment Rights Act 1996 \(c. 18\)](#), s. 243, **Sch. 1 para. 35(3)(b)**
- F403** Words in s. 580(1)(c) substituted (22.8.1996) by [Employment Rights Act 1996 \(c. 18\)](#), s. 243, **Sch. 1 para. 35(3)(c)**
- F404** Words in s. 580(1)(c) substituted (24.9.1996) by [The Employment Rights \(Northern Ireland\) Order 1996 \(S.I. 1996/1919 \(N.I. 16\)\)](#), arts. 1(2), 255, **Sch. 1** (with Sch. 2 para. 1)
- F405** S. 580(2) repealed (22.8.1996) by [Employment Rights Act 1996 \(c. 18\)](#), s. 243, **Sch. 3 Pt. 1**
- F406** S. 580(3) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), Sch. 6 para. 64, **Sch. 8 Pt. 1** (with Sch. 7)

Marginal Citations

- M62** Source-1970 s.412(7), (8)

[^{F407} **580A** Relief from tax on annual payments under certain insurance policies.

^{F408}

Textual Amendments

- F407** Ss. 580A, 580B inserted (with effect in accordance with s. 143(2)-(5) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), s. 143(1)
- F408** Ss. 580A-580C 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. 240, **Sch. 3** (with Sch. 2)

580B Meaning of “self-contained” for the purposes of s.580A.

^{F409}]

Textual Amendments

- F407** Ss. 580A, 580B inserted (with effect in accordance with s. 143(2)-(5) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), s. 143(1)
- F409** Ss. 580A-580C 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. 240, **Sch. 3** (with Sch. 2)

[^{F410} **580C** Relief from tax on annual payments under immediate needs annuities

^{F411}]

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Textual Amendments

- F410** S. 580C inserted (with effect in accordance with s. 147(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 147\(3\)](#)
- F411** Ss. 580A-580C 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. 240, Sch. 3 \(with Sch. 2\)](#)

581 Borrowing in foreign currency by local authorities and statutory corporations.

F412

Textual Amendments

- F412** S. 581 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. 241, Sch. 3 \(with Sch. 2\)](#)

[^{F413}581] Interest on foreign currency securities etc.

F414

Textual Amendments

- F413** S. 581A 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. 242 \(with Sch. 2\)](#)
- F414** S. 581A 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. 133, Sch. 3 Pt. 1 \(with Sch. 2\)](#)

582 Funding bonds issued in respect of interest on certain debts.

^{M63}(1) Where any funding bonds are issued to a creditor in respect of any liability to pay interest on any debt to which this section applies—

- (a) the issue of the bonds shall be treated for [^{F415}all the purposes of the Corporation Tax Acts] as if it were the payment of an amount of that interest equal to the value of the bonds at the time of their issue, and
- (b) [^{F416}where paragraph (a) above ^{F417}. . . applies] the redemption of the bonds shall not be treated for those purposes as the payment of any amount of that interest.

[^{F418}(2) Subsection (2A) applies if an issue of funding bonds is treated as a payment of interest as mentioned in subsection (1)(a) and—

- (a) the person by or through whom the bonds are issued is required to retain bonds under section 939(2) of ITA 2007, but
- (b) it is impracticable for the person to do so.

(2A) In that case, tax in respect of the amount of interest treated by virtue of subsection (1) (a) as having been paid by the issue of the bonds shall be charged under Case VI of Schedule D for the chargeable period in which the bonds are issued on the persons receiving or entitled to the bonds.]

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(3) This section applies to any debt incurred, whether in respect of any money borrowed or otherwise, by any government, public authority or public institution whatsoever, or by any body corporate whatsoever.

[^{F419}(3A) Chapter 2 of Part 4 of the Finance Act 1996 has effect subject to and in accordance with this section, notwithstanding anything in section 80(5) of that Act (matters to be brought into account in the case of loan relationships only under Chapter 2 of Part 4 of that Act).]

(4) For the purposes of this section “funding bonds” includes any bonds, stocks, shares, securities or certificates of indebtedness.

Textual Amendments

F415 Words in s. 582(1)(a) 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. 243(2)(a)** (with [Sch. 2](#))

F416 Words in s. 582(1)(b) 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. 243(2)(b)** (with [Sch. 2](#))

F417 Words in s. 582(1)(b) 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. 134\(2\)](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))

F418 [S. 582\(2\)\(2A\)](#) 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. 134(3)** (with [Sch. 2](#))

F419 [S. 582\(3A\)](#) inserted (with effect in accordance with s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), **Sch. 25 para. 50**

Modifications etc. (not altering text)

C27 [S. 582](#) modified (with effect in accordance with s. 56 of the modifying Act) by [Finance Act 2005 \(c. 7\)](#), **Sch. 2 para. 7**

Marginal Citations

M63 [Source-1970 s.417](#); [1971 Sch.6 47](#)

[^{F420}**582A** **Designated international organisations: miscellaneous exemptions.**

^{F421}

Textual Amendments

F420 [S. 582A](#) inserted by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), **s. 118(1)**

F421 [S. 582A](#) 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. 135](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))

583 Inter-American Development Bank.

^{F422}

Textual Amendments

F422 [S. 583](#) 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. 244](#), **Sch. 3** (with [Sch. 2](#))

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584 Relief for unremittable overseas income

- (1) ^{M64}Where [^{F423}a company is chargeable to corporation tax] by reference to the amount of any income arising in a territory outside the United Kingdom (“overseas income”), then [^{F424}for the purposes of corporation tax] this section shall apply to the overseas income in so far as—
- (a) [^{F425}the company] is prevented from transferring the amount of the overseas income to the United Kingdom, either by the laws of that territory or any executive action of its government or by the impossibility of obtaining foreign currency in that territory; and
 - (b) [^{F425}the company] has not realised the overseas income outside that territory for a consideration in sterling or a consideration in some other currency which [^{F425}the company] is not prevented from transferring to the United Kingdom.

Overseas income to which this section applies is referred to below as unremittable.

- [^{F426}(2) Subject to subsection (2A) below, where [^{F427}a company] so chargeable makes a claim under this subsection in relation to any overseas income—

- (a) which is unremittable; and
- (b) to which subsection (1)(a) above will continue to apply notwithstanding any reasonable endeavours on [^{F428}its] part,

then, in the first instance, account shall not be taken of that income, [^{F429}and corporation tax shall be assessable] and shall be charged on all persons concerned and for all periods accordingly.

- (2A) If on any date paragraph (a) or (b) of subsection (2) above ceases to apply to any part of any overseas income in relation to which a claim has been made under that subsection—

- (a) that part of the income shall be treated as income arising on that date, and
- (b) account shall be taken of it, and of any tax payable in respect of it under the law of the territory where it arises, according to their value at that date.]

- (4) Where [^{F430}[^{F431}a company becomes chargeable to] corporation tax in respect of income from any source by virtue of subsection (2) or (2A)] above after it has ceased to possess that source of income, the income shall be chargeable under Case VI of Schedule D.

- (5) ^{M65}Where under an agreement entered into under arrangements made by the Secretary of State in pursuance of section 11 of the ^{M66}Export Guarantees and Overseas Investment Act 1978 any payment is made by the Export Credit Guarantee Department in respect of any income which cannot be transferred to the United Kingdom, then, to the extent of the payment, the income shall be treated as income [^{F432}to which paragraphs (a) and (b) of subsection (2) above do not apply (and accordingly cannot cease to apply)].

- [^{F433}(6) A claim under subsection (2) above—

- (a) ^{F434}.....
- (b) for the purposes of corporation tax, shall be made no later than two years after the end of the accounting period in which the income arises.]

- (7) ^{F434}.....

- (8) Subject to subsections (2) and [^{F435}(2A)] above, the amount of any unremittable overseas income shall be determined by reference to the generally recognised market

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value in the United Kingdom (if any), or, in the absence of any such value, according to the official rate of exchange of the territory where the income arises.

- (9) Any appeal against an assessment which involves a question as to the operation of this section shall be made to the Special Commissioners and not to the General Commissioners.
- (10)^{M67} This section shall have effect as respects any accounting period in which the conditions in subsection (2) above cease to be satisfied in relation to any income, being an accounting period ending on or before such day, not being earlier than 31st March 1992, as the Treasury may by order appoint for the purposes of this section, with the omission of subsections (3) and (4).

Subordinate Legislation Made

P2 S. 584(10) power exercised: 30.9.1993 appointed by S.I. 1992/3066, **art. 2(2)(b)**

Textual Amendments

- F423** Words in s. 584(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. 245(2)(a)** (with Sch. 2)
- F424** Words in s. 584(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. 245(2)(b)** (with Sch. 2)
- F425** Words in s. 584(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. 245(2)(c)** (with Sch. 2)
- F426** S. 584(2)(A) substituted for s. 584(2)(3) (with effect in accordance with s. 134(2) of the amending Act) by *Finance Act 1996 (c. 8)*, **Sch. 20 para. 33(2)**
- F427** Words in s. 584(2) 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. 245(3)(a)** (with Sch. 2)
- F428** Word in s. 584(2)(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. 245(3)(b)** (with Sch. 2)
- F429** Words in s. 584(2) 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. 245(3)(c)** (with Sch. 2)
- F430** Words in s. 584(4) substituted (with effect in accordance with s. 134(2) of the amending Act) by *Finance Act 1996 (c. 8)*, **Sch. 20 para. 33(3)**
- F431** Words in s. 584(4) 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. 245(4)** (with Sch. 2)
- F432** Words in s. 584(5) substituted (with effect in accordance with s. 134(2) of the amending Act) by *Finance Act 1996 (c. 8)*, **Sch. 20 para. 33(4)**
- F433** S. 584(6) substituted (with effect in accordance with s. 134(2) of the amending Act) by *Finance Act 1996 (c. 8)*, **Sch. 20 para. 33(5)**
- F434** S. 584(6)(a)(7) 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. 245(5)**, **Sch. 3** (with Sch. 2)
- F435** Words in s. 584(8) substituted (with effect in accordance with s. 134(2) of the amending Act) by *Finance Act 1996 (c. 8)*, **Sch. 20 para. 33(7)**

Modifications etc. (not altering text)

C28 See 1979(C) s.13—*delayed remittances of capital gains*.

Marginal Citations

- M64** Source-1970 s.418(1), (2), (2A), (2B); 1987 (No.2) Sch.6 6
- M65** Source-1972 s.124(2)(a)
- M66** 1978 c. 18.

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M67 Source-1987 (No.2) Sch.6 6(5)

585 Relief from tax on delayed remittances.

F436

Textual Amendments

F436 S. 585 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. 246, Sch. 3](#) (with Sch. 2)

586 Disallowance of deductions for war risk premiums.

- ^{M68}(1) In computing the amount of the profits or gains of any person for any [^{F437}corporation tax purpose], no sum shall be deducted in respect of any payment made by him to which this section applies.
- (2) No payment to which this section applies shall be included in computing the expenses of management in respect of which relief may be given under section 75 or 76.
- (3) Subject to subsections (4) and (5) below, this section applies to any payment made by any person under any contract or arrangement under which that person is, in the event of war damage, entitled or eligible, either absolutely or conditionally, to or for any form of indemnification, whether total or partial, and whether by way of a money payment or not, in respect of that war damage.
- (4) Where the payment is made in respect of the right or eligibility mentioned in subsection (3) above and also in respect of other matters, the deduction or inclusion of so much of the payment as is properly attributable to the other matters shall not be disallowed by virtue only of subsection (1) or (2) above.
- (5) This section shall not apply to any payment made under any contract of marine insurance, or any contract of insurance of an aircraft, or any contract of insurance of goods in transit.
- (6) In this section “war damage” means loss or damage arising from action taken by an enemy of Her Majesty, or action taken in combating such an enemy or in repelling an imagined attack by such an enemy, or action taken in anticipation of or in consequence of an attack by such an enemy.

Textual Amendments

F437 Words in s. 586(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. 247](#) (with Sch. 2)

Marginal Citations

M68 Source-1970 s.420

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587 Disallowance of certain payments in respect of war injuries to employees.

- ^{M69}(1) In computing the amount of the profits or gains ^{F438}. . . of any person for any [^{F439}corporation tax purpose], no sum shall be deducted in respect of any payment made by him to which this section applies.
- (2) No payment to which this section applies shall be included in computing—
- (a) the expenses of management in respect of which relief may be given under section 75 or 76; or
 - (b) the expenses of management or supervision in respect of which relief may be given under [^{F440}section 121(3).]
- (3) Subject to subsections (4) and (5) below, this section applies—
- (a) to any payments by way of benefit made by any person to, or to the personal representatives or dependants of, any employees of his on account of their incapacity, retirement or death owing to war injuries, whether sustained in the United Kingdom or elsewhere; and
 - (b) to any payments made by any person by way of premium or contribution under any policy, agreement, scheme or arrangement providing for the payment of benefits to, or to the personal representatives or dependants of, any employees of his on account of their incapacity, retirement or death owing to such war injuries.
- (4) This section shall not apply to any payment (whether by way of benefit or by way of premium or contribution) which is payable under any policy, agreement, scheme or arrangement made before 3rd September 1939, except to the extent that the amount of the payment is increased by any variation of the terms of that policy, agreement, scheme or arrangement made on or after that date.
- (5) This section shall not apply to any payment by way of benefit if, in the opinion of the Board, that payment was made under an established practice which was such that the same or a greater payment would have been made if the incapacity, retirement or death had not been due to war injuries.
- (6) Where a person makes a payment by way of benefit to which this section applies and, in the opinion of the Board, there is an established practice under which a smaller payment would have been made if the incapacity, retirement or death had not been due to war injuries, the deduction or inclusion of an amount equal to that smaller payment shall not be disallowed by virtue only of subsection (1) or (2) above.
- (7) Where a person makes a payment to which this section applies by way of premium or contribution, and the policy, agreement, scheme or arrangement provides for the payment of any benefit in the event of incapacity, retirement or death not due to war injuries, the deduction or inclusion of so much of the payment of premium or contribution as, in the opinion of the Board, is properly attributable to benefit payable in the event of incapacity, retirement or death not due to war injuries shall not be disallowed by virtue only of subsection (1) or (2) above.
- (8) In this section “war injuries” means physical injuries—
- (a) caused by—
 - (i) the discharge of any missile (including liquids and gas);
 - (ii) the use of any weapon, explosive or other noxious thing; or
 - (iii) the doing of any other injurious act,

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either by the enemy or in combating the enemy or in repelling an imagined attack by the enemy; or

- (b) caused by the impact on any person or property of any enemy aircraft, or any aircraft belonging to, or held by any person on behalf of, or for the benefit of, Her Majesty or any allied power, or any part of, or anything dropped from, any such aircraft.

Textual Amendments

F438 Words in s. 587(1) 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. 248(2), Sch. 3 (with Sch. 2)**

F439 Words in s. 587(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. 248(2) (with Sch. 2)**

F440 Words in s. 587(2)(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. 248(3) (with Sch. 2)**

Marginal Citations

M69 Source-1970 s.421

[^{F441}**587A** **New issues of securities: extra return.**

^{F442}]

Textual Amendments

F441 S. 587A inserted by **Finance Act 1991 (c. 31, SIF 63:1), s. 54, Sch. 12 para. 1 (with application as referred to in Sch. 12 para. 5 of that Act)**

F442 S. 587A 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. 136, Sch. 3 Pt. 1 (with Sch. 2)**

[^{F444}**587B**^{F443} **Gifts of shares, securities and real property to charities etc]**

(1) [^{F445}Subsection (2) below applies] where, otherwise than by way of a bargain made at arm's length, [^{F446}a company which is not itself a charity] disposes of the whole of the beneficial interest in a qualifying investment to a charity.

(2) On a claim made in that behalf to an officer of the Board—

(a) the relevant amount shall be allowed—

(i) ^{F447}

(ii) ^{F448} . . . as a charge on income for the purposes of corporation tax for the accounting period in which the disposal is made; and

(b) no relief in respect of the disposal shall be given under section 83A [^{F449}of this Act]^{F450} . . . ;

^{F451}

(3) ^{F452}

[^{F453}(4) Subject to subsections (5) to (7) below, the relevant amount is an amount equal to—

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- (a) where the disposal is a gift, the value of the net benefit to the charity at, or immediately after, the time when the disposal is made (whichever time gives the lower value);
 - (b) where the disposal is at an undervalue, the amount by which—
 - (i) the value described in paragraph (a) above, exceeds
 - (ii) the amount or value of the consideration for the disposal,
 or, if there is no such excess, nil.]
- (5) Where there are one or more benefits received in consequence of making the disposal which are received by [^{F454}the company] making the disposal or a person connected with [^{F455}it], the relevant amount shall be reduced by the value of that benefit or, as the case may be, the aggregate value of those benefits; and section 839 applies for the purposes of this subsection.
- (6) Where the disposal is a gift, the relevant amount shall be increased by the amount of the incidental costs of making the disposal to the [^{F456}company] making it.
- (7) Where the disposal is at an undervalue—
- (a) to the extent that the consideration for the disposal is less than that for which the disposal is treated as made by virtue of section 257(2)(a) of the 1992 Act, the relevant amount shall be increased by the amount of the incidental costs of making the disposal to the [^{F457}company] making it; and
 - (b) section 48 of that Act (consideration due after time of disposal) shall apply in relation to the computation of the relevant amount as it applies in relation to the computation of a gain.
- (8) ^{F458}
- [The value of the net benefit to the charity is—
- ^{F459}(8A) (a) the market value of the qualifying investment, unless subsection (8B) below applies;
- (b) where that subsection applies, that market value reduced by the aggregate amount of the related liabilities of the charity (see subsections (8E) to (8G)).
- (8B) This subsection applies in any case where—
- (a) the charity is, or becomes, subject to an obligation to any person (whether or not [^{F460}the company] making the disposal or a person connected with [^{F461}it]), and
 - (b) one or more of the conditions in subsection (8C) below is satisfied.
- (8C) For the purposes of subsection (8B) above—
- (a) condition 1 is that, taking into account all the circumstances (including, in particular, the difference in the value of the net benefit to the charity if subsection (8B) applies and if it does not), it is reasonable to suppose that the disposal of the qualifying investment to the charity would not have been made in the absence of the obligation;
 - (b) condition 2 is that the obligation (whether in whole or in part) relates to, is framed by reference to, or is conditional on the charity receiving, the qualifying investment or a related investment (see subsection (8D)).
- (8D) In subsection (8C) above “related investment” means any of the following—
- (a) any asset of the same class or description as the qualifying investment (irrespective of size, quantity or amount);

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- (b) any asset derived from, or representing, the qualifying investment whether in whole or in part and whether directly or indirectly;
- (c) any asset from which the qualifying investment is derived, or which the qualifying investment represents, whether in whole or in part and whether directly or indirectly.

(8E) For the purposes of this section, the liabilities which are related liabilities in the case of any qualifying investment are the liabilities of the charity under each of the obligations that fall within subsection (8B) above (as read with subsection (8C) above) in relation to that investment.

(8F) Where an obligation is contingent and the contingency occurs, the amount to be brought into account for the purposes of this section at any time in respect of the liability, so far as contingent, under the obligation is the amount or value of the liability actually incurred in consequence of the occurrence of the contingency.

(8G) Where an obligation is contingent and the contingency does not occur, the amount to be brought into account for the purposes of this section at any time in respect of the liability, so far as contingent, is nil.]

(9) In this section—

[^{F462}“authorised unit trust” has the meaning given by section 468;]

“charity” has the same meaning as in section 506 and includes

- (a) [^{F463}the Trustees of the National Heritage Memorial Fund;
- (b) the Historic Buildings and Monuments Commission for England; and
- (c) the National Endowment for Science, Technology and the Arts;]

“the incidental costs of making the disposal to the [^{F464}company] making it” shall be construed in accordance with section 38(2) of the 1992 Act;

^{F465}

[^{F466}“obligation” includes a reference to each of the following—

- (a) any scheme, arrangement or understanding of any kind, whether or not legally enforceable;
- (b) a series of obligations (whether or not between the same parties);]

[^{F467}“offshore fund” has the same meaning as in Chapter 5 of Part 17;]

[^{F468}“open-ended investment company” is to be read in accordance with section 468A(2) to (4);]

“qualifying investment” means any of the following—

- (a) shares or securities which are listed [^{F469}on a recognised stock exchange or dealt in on any designated market in the United Kingdom];
- (b) units in an authorised unit trust;
- (c) shares in an open-ended investment company;^{F470} . . .
- (d) an interest in an offshore fund[^{F471}; and
- (e) a qualifying interest in land];

[^{F472}“related liabilities” shall be construed in accordance with subsection (8E) above;]

[^{F473}“value of the net benefit to the charity” shall be construed in accordance with subsection (8A) above.]

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.

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[In paragraph (a) of the definition of “qualifying investment” in subsection (9) above,
^{F474}(9ZA) “designated” means designated by an order made by the Commissioners for Her Majesty's Revenue and Customs for the purposes of that paragraph.

(9ZB) An order under subsection (9ZA) above may—

- (a) designate a market by name or by reference to any class or description of market, and
- (b) vary or revoke a previous order under that subsection.]

[In this section a “qualifying interest in land” means—

- ^{F475}(9A) (a) a freehold interest in land, or
 (b) a leasehold interest in land which is a term of years absolute,
 where the land in question is in the United Kingdom.

This subsection is subject to subsections (9B) to (9D) below.

(9B) Where a [^{F476}company] makes a disposal to a charity of—

- (a) the whole of [^{F477}its] beneficial interest in such freehold or leasehold interest in land as is described in subsection (9A)(a) or (b) above, and
- (b) any easement, servitude, right or privilege so far as benefiting that land,

the disposal falling within paragraph (b) above is to be regarded for the purposes of this section as a disposal by the [^{F476}company] of the whole of [^{F477}its] beneficial interest in a qualifying interest in land.

(9C) Where [^{F478}a company which] has a freehold or leasehold interest in land in the United Kingdom grants a lease for a term of years absolute (or, in the case of land in Scotland, grants a lease) to a charity of the whole or part of that land, the grant of that lease is to be regarded for the purposes of this section as a disposal by [^{F479}the company] of the whole of the beneficial interest in the leasehold interest so granted.

(9D) For the purposes of subsection (9A) above, an agreement to acquire a freehold interest and an agreement for a lease are not qualifying interests in land.

(9E) In the application of this section to Scotland—

- (a) references to a freehold interest in land are references to the interest of the owner,
- (b) references to a leasehold interest in land which is a term of years absolute are references to a tenant's right over or interest in a property subject to a lease, and
- (c) references to an agreement for a lease do not include references to missives of let that constitute an actual lease.]

(10) Subject to subsection (11) below, the market value of any qualifying investment shall be determined for the purposes of this section as for the purposes of the 1992 Act.

[Section 839 (connected persons) applies for the purposes of this section.]
^{F480}(10A)

(11) In the case of an interest in an offshore fund for which there are separate published buying and selling prices, section 272(5) of the 1992 Act (meaning of “market value” in relation to rights of unit holders in a unit trust scheme) shall apply with any necessary modifications for determining the market value of the interest for the purposes of this section.

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[This section is supplemented by ^{F482}sections 587BA and 587C] below.]]
F481(12)

Textual Amendments

- F443** S. 587B sidenote substituted (with effect in accordance with s. 97(6) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 97\(4\)](#)
- F444** S. 587B inserted (with effect in accordance with s. 43(3) of the amending Act) by [Finance Act 2000 \(c. 17\), s. 43\(1\)](#)
- F445** Words in s. 587B(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. 137\(2\)\(a\)](#) (with [Sch. 2](#))
- F446** Words in s. 587B(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. 137\(2\)\(b\)](#) (with [Sch. 2](#))
- F447** S. 587B(2)(a)(i) 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. 137\(3\)\(a\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F448** Words in s. 587B(2)(a)(ii) 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. 137\(3\)\(b\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F449** Words in s. 587B(2)(b) 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. 249\(a\)](#) (with [Sch. 2](#))
- F450** Words in s. 587B(2)(b) 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. 137\(3\)\(c\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F451** Words in s. 587B(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. 137\(3\)\(d\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F452** S. 587B(3) 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. 137\(4\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F453** S. 587B(4) substituted (with effect in accordance with s. 139(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 139\(2\)](#)
- F454** Words in s. 587B(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. 137\(5\)\(a\)](#) (with [Sch. 2](#))
- F455** Word in s. 587B(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. 137\(5\)\(b\)](#) (with [Sch. 2](#))
- F456** Word in s. 587B(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. 137\(6\)](#) (with [Sch. 2](#))
- F457** Word in s. 587B(7)(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. 137\(7\)](#) (with [Sch. 2](#))
- F458** S. 587B(8) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\), Sch. 10 para. 16\(3\)\(f\), Sch. 27 Pt. 2\(10\)](#), Note
- F459** S. 587B(8A)-(8G) inserted (with effect in accordance with s. 139(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 139\(3\)](#)
- F460** Words in s. 587B(8B)(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. 137\(9\)\(a\)](#) (with [Sch. 2](#))
- F461** Word in s. 587B(8B)(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. 137\(9\)\(b\)](#) (with [Sch. 2](#))
- F462** S. 587B(9): definition of "authorised unit trust" substituted for definition of "authorised unit trust" and "open-ended investment company" (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. 137\(10\)\(a\)](#) (with [Sch. 2](#))
- F463** S. 587B(9): words in definition of "charity" 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. 137\(10\)\(b\)](#) (with [Sch. 2](#))
- F464** S. 587B(9): word in definition of "the incidental costs of making the disposal to the person making it" 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. 137\(10\)\(c\)](#) (with [Sch. 2](#))

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- F465** S. 587B(9): definition of "life assurance business" repealed (with effect in accordance with Sch. 10 para. 17(2) of the repealing Act) by virtue of Finance Act 2007 (c. 11), Sch. 10 para. 14(2)(c), **Sch. 27 Pt. 2(10)**, Note
- F466** S. 587B(9): definition of "obligation" inserted (with effect in accordance with s. 139(6) of the amending Act) by Finance Act 2004 (c. 12), **s. 139(4)**
- F467** S. 587B(9): definition of "offshore fund" substituted (with effect in accordance with s. 145(2) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 26 para. 10** (with Sch. 26 para. 17)
- F468** S. 587B(9): definition of "open-ended investment 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. 137(10)(d)** (with Sch. 2)
- F469** S. 587B(9): words in definition of "qualifying investment" substituted (19.7.2007) by Finance Act 2007 (c. 11), **Sch. 26 para. 7(6)(a)**
- F470** S. 587B(9): word in definition of "qualifying investment" repealed (with effect in accordance with s. 97(6) of the repealing Act) by Finance Act 2002 (c. 23), s. 97(1), **Sch. 40 Pt. 3(15)**, Note
- F471** S. 587B(9): in definition of "qualifying investment", para. (e) and preceding word inserted (with effect in accordance with s. 97(6) of the amending Act) by Finance Act 2002 (c. 23), **s. 97(1)**
- F472** S. 587B(9): definition of "related liabilities" inserted (with effect in accordance with s. 139(6) of the amending Act) by Finance Act 2004 (c. 12), **s. 139(4)**
- F473** S. 587B(9): definition of "value of the net benefit to the charity" inserted (with effect in accordance with s. 139(6) of the amending Act) by Finance Act 2004 (c. 12), **s. 139(4)**
- F474** S. 587B(9ZA)(9ZB) inserted (19.7.2007) by Finance Act 2007 (c. 11), **Sch. 26 para. 7(6)(b)**
- F475** S. 587B(9A)-(9E) inserted (with effect in accordance with s. 97(6) of the amending Act) by Finance Act 2002 (c. 23), **s. 97(2)**
- F476** Words in s. 587B(9B) 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. 137(11)(a)** (with Sch. 2)
- F477** Words in s. 587B(9B) 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. 137(11)(b)** (with Sch. 2)
- F478** Words in s. 587B(9C) 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. 137(12)(a)** (with Sch. 2)
- F479** Words in s. 587B(9C) 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. 137(12)(b)** (with Sch. 2)
- F480** S. 587B(10A) inserted (with effect in accordance with s. 139(6) of the amending Act) by Finance Act 2004 (c. 12), **s. 139(5)**
- F481** S. 587B(12) inserted (with effect in accordance with s. 97(6) of the amending Act) by Finance Act 2002 (c. 23), **s. 97(3)**
- F482** Words in s. 587B(12) 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. 137(13)** (with Sch. 2)

Modifications etc. (not altering text)

- C29** S. 587B modified (with effect in accordance with reg. 30AA(3) of the modifying reg.) by the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997 (S.I. 1997/473), **reg. 30AA(1)(2)** (as inserted (25.10.2000) by The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2000 (S.I. 2000/2710), **regs. 1, 5**)
- C30** S. 587B modified (12.8.2005 with effect in accordance with reg. 1(2) of the modifying S.I.) by The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 2005 (S.I. 2005/2014), **regs. 1(1), 21**; and that modifying reg. 21 is omitted (14.8.2007 with effect in accordance with reg. 1(2) of the revoking S.I.) by virtue of S.I. 2007/2134, **regs. 1(1), 20**
- C31** S. 587B(9E)(a) modified (temp.) (with effect in accordance with s. 97(6) of the modifying Act) by Finance Act 2002 (c. 23), **s. 97(7)(8)**

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[^{F483} 587B] Qualifying interests in land held jointly

- (1) This section applies for the purposes of section 587B where a qualifying investment is a qualifying interest in land.
- (2) Where two or more persons (“the owners”)—
 - (a) are jointly beneficially entitled to the qualifying interest in land, or
 - (b) are, taken together, beneficially entitled in common to the qualifying interest in land,relief under section 587B is available if at least one of the owners is a qualifying company and all the owners dispose of the whole of their beneficial interests in the qualifying interest in land to the charity.
- (3) Subsection (4) applies if one or more of the owners is not a company.
- (4) For the purpose of determining whether the owners' beneficial interests are disposed of as mentioned in subsection (2), section 587B(9B) and (9C) applies as if references to a company included a reference to a person who is not a company.
- (5) Relief under section 587B is available to each of the owners which is a qualifying company.
- (6) If one or more of the owners is an individual—
 - (a) the relevant amount is taken to be the relievable amount calculated for the purposes of Chapter 3 of Part 8 of ITA 2007, and
 - (b) the amount of relief under section 587B to be given to a qualifying company is such share of the relievable amount as is allocated to the company by the agreement mentioned in section 442(5) of ITA 2007.
- (7) Subsections (8) to (12) apply if none of the owners is an individual.
- (8) The amount of relief under section 587B to be given to a qualifying company is such share of the relevant amount as is allocated to the company by an agreement made between those owners which are qualifying companies.
- (9) Calculate the relevant amount as if—
 - (a) the owners were a single qualifying company, and
 - (b) the disposals of the owners' beneficial interests were a single disposal by that single company of the whole of the beneficial interest in the qualifying interest in land.
- (10) In particular, for the purposes of section 587B(7) calculate the consideration for which the disposal is made by virtue of section 257(2)(a) of the 1992 Act by—
 - (a) calculating, for each owner, the consideration for which the disposal of the owner's beneficial interest is so made, and
 - (b) adding together all the consideration calculated under paragraph (a).
- (11) If one or more of the owners is not a qualifying company, in calculating the relevant amount make just and reasonable adjustments to reduce the relevant amount to reflect the fact that relief under section 587B is not available to that owner or to those owners.
- (12) ^{F484}
- (13) A company is a qualifying company if—
 - (a) it is not itself a charity, ^{F485} . . .

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(b) ^{F485}]

Textual Amendments

F483 S. 587BA 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. 138** (with Sch. 2)

F484 S. 587BA(12) repealed (19.7.2007) by **Finance Act 2007 (c. 11), Sch. 27 Pt. 2(10)**, Note

F485 S. 587BA(13)(b) and preceding word repealed (19.7.2007) by **Finance Act 2007 (c. 11), Sch. 27 Pt. 2(10)**, Note

^{F486}587C Supplementary provision for gifts of real property

(1) This section applies for the purposes of section 587B where a qualifying investment is a qualifying interest in land.

(2) ^{F487}

(3) ^{F487}

(4) No [^{F488}company] may make a claim for a relief under subsection (2) of section 587B unless [^{F489}it] has received a certificate given by or on behalf of the charity.

(5) The certificate must—

- (a) specify the description of the qualifying interest in land which is the subject of the disposal,
- (b) specify the date of the disposal, and
- (c) contain a statement that the charity has acquired the qualifying interest in land.

(6) If, in the case of a disposal of a qualifying interest in land, a disqualifying event occurs at any time in the relevant period, the [^{F490}following] shall be treated as never having been entitled to relief under section 587B in respect of the disposal—

- [in a case to which section 587BA does not apply, the company which made
- ^{F491}(a) the disposal, and
- (b) in a case to which section 587BA applies, each qualifying company which is an owner.]

(7) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (6) above.

(8) For the purposes of subsection (6) above a disqualifying event occurs if [^{F492}a person mentioned in subsection (8A)]—

- (a) becomes entitled to an interest or right in relation to all or part of the land to which the disposal relates, or
- (b) becomes party to an arrangement under which he enjoys some right in relation to all or part of that land,

otherwise than for full consideration in money or money's worth.

[The persons are—

- ^{F493}(8A) (a) in a case to which section 587BA does not apply—
 - (i) the company which made the disposal, or
 - (ii) a person connected with that company, and
- (b) in a case to which section 587BA applies—

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- (i) a person who is an owner, or
 - (ii) a person connected with such a person.]
- (9) A disqualifying event does not occur, for the purposes of subsection (6) above, if a person becomes entitled to an interest or right as mentioned in subsection (8)(a) above as a result of a disposition of property on death, whether the disposition is effected by will, under the law relating to intestacy or otherwise.
- (10) For the purposes of subsection (6) above the relevant period is the period beginning with the date of the disposal of the qualifying interest in land and ending with—
- (a) ^{F494}
 - (b) ^{F495} . . . the sixth anniversary of the end of the accounting period in which the disposal was made.
- (11) Section 839 (connected persons) applies for the purposes of this section.
- (12) This section shall be construed as one with section 587B.]

Textual Amendments

- F486** S. 587C inserted (with effect in accordance with s. 97(6) of the amending Act) by Finance Act 2002 (c. 23), s. 97(5)
- F487** S. 587C(2)(3) 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. 139(2), Sch. 3 Pt. 1 (with Sch. 2)
- F488** Word in s. 587C(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. 139(3)(a) (with Sch. 2)
- F489** Word in s. 587C(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. 139(3)(b) (with Sch. 2)
- F490** Word in s. 587C(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. 139(4)(a) (with Sch. 2)
- F491** S. 587C(6)(a)(b) 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. 139(4)(b) (with Sch. 2)
- F492** Words in s. 587C(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. 139(5) (with Sch. 2)
- F493** S. 587C(8A) 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. 139(6) (with Sch. 2)
- F494** S. 587C(10)(a) and 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. 139(7)(a), Sch. 3 Pt. 1 (with Sch. 2)
- F495** Words in s. 587C(10)(b) 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. 139(7)(b), Sch. 3 Pt. 1 (with Sch. 2)

588 Training courses for employees.

- [^{F496M70}(1) This section applies where a [^{F497}company] (“the employer”) incurs retraining course expenses within the meaning of section 311 of ITEPA 2003 (exemptions: retraining courses).]
- (3) Subject to subsection (4) below, where—
- [^{F498}(a) an employer incurs expenditure in paying or reimbursing retraining course expenses as mentioned in subsection (1) above; and
 - (b) by virtue of section 311 of ITEPA 2003, no liability to income tax arises in respect of the payment or reimbursement,]

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then, if and so far as that expenditure would not, apart from this subsection, be so deductible, it shall be deductible in computing for the purposes of Schedule D the [^{F499}profits] of the [^{F500}trade or profession] of the employer for the purposes of which the employee is or was employed.

[^{F501}(4) Where the employer is a company with investment business or a company carrying on life assurance business, subsection (3) above shall have effect with the substitution for the words following paragraph (b) of—

“then, if and so far as that expenditure would not, apart from this subsection, fall to be so deductible or brought into account, it shall—

- (i) in a case where the employer is a company with investment business, be deductible as expenses of management under section 75, or
- (ii) in a case where the employer is a company carrying on life assurances business, be brought into account under section 76 as expenses payable.”

.]

(5) In any case where—

- (a) ^{F502}
- (b) an employer’s liability to [^{F503}corporation tax] for any [^{F504}accounting period] is determined (by assessment or otherwise) on the assumption that, by virtue only of subsection (3) above (or subsections (3) and (4) above), [^{F505}it] is entitled to a deduction on account of any expenditure and, subsequently, there is [^{F506}a failure to meet a condition of the kind mentioned in section 312(1)(b) (i) or (ii) of ITEPA 2003];

an assessment under ^{F507} . . . [^{F508}paragraph 41 of Schedule 18 to the Finance Act 1998,] of an amount due in consequence of the failure referred to above may be made at any time not later than six years after the end of the [^{F509}accounting period] in which the failure occurred.

[^{F510}(5A) The reference in subsection (5)(b) above to a deduction on account of any expenditure includes a reference to bringing an amount into account in determining the amount of the deduction to be made under section 76.]

(6) Where an event occurs by reason of which there is a failure to [^{F511}meet a condition in section 312(1)(b)(i) or (ii) of ITEPA 2003], the employer of the employee concerned shall within 60 days of coming to know of the event give a notice to the inspector containing particulars of the event.

(7) If the inspector has reason to believe that an employer has not given a notice which [^{F512}it] is required to give under subsection (6) above in respect of any event, the inspector may by notice require the employer to furnish him within such time (not less than 60 days) as may be specified in the notice with such information relating to the event as the inspector may reasonably require for the purposes of this section.

Textual Amendments

F496 S. 588(1) substituted for s. 588(1)(2) (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), [Sch. 6 para. 67\(2\)](#) (with [Sch. 7](#))

F497 Word in s. 588(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. 250\(2\)](#) (with [Sch. 2](#))

Status: Point in time view as at 01/10/2007. This version of this part contains provisions that are not valid for this point in time.
Changes to legislation: Income and Corporation Taxes Act 1988, PART XIII is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- F498** S. 588(3)(a)(b) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 67\(3\)](#) (with Sch. 7)
- F499** Word in s. 588(3) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 1](#)
- F500** Words in s. 588(3) 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. 250\(3\)](#) (with Sch. 2)
- F501** S. 588(4) substituted (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 28(2)
- F502** S. 588(5)(a) and word repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 67\(4\), Sch. 8 Pt. 1](#) (with Sch. 7)
- F503** Words in s. 588(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. 250\(4\)\(a\)](#) (with Sch. 2)
- F504** Words in s. 588(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. 250\(4\)\(b\)](#) (with Sch. 2)
- F505** Word in s. 588(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. 250\(4\)\(c\)](#) (with Sch. 2)
- F506** Words in s. 588(5)(b) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 67\(5\)](#) (with Sch. 7)
- F507** Words in s. 588(5) 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. 250\(4\)\(d\), Sch. 3](#) (with Sch. 2)
- F508** Words in s. 588(5) inserted (with effect in accordance with s. 93(2) of the amending Act) by [Finance Act 1999 \(c. 16\), Sch. 11 para. 2](#)
- F509** Words in s. 588(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. 250\(4\)\(e\)](#) (with Sch. 2)
- F510** S. 588(5A) inserted (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 2, Sch. para. 28(3)
- F511** Words in s. 588(6) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 67\(6\)](#) (with Sch. 7)
- F512** Word in s. 588(7) 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. 250\(5\)](#) (with Sch. 2)

Modifications etc. (not altering text)

- C32** S. 588 modified (with effect in accordance with s. 39(4)(5) of the modifying Act) by [Finance Act 1995 \(c. 4\), Sch. 6 para 24](#) (the modification consisting of the insertion of a s. 588(4A) for limited purposes, and that s. 588(4A) was repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by [Finance Act 1998 \(c. 36\), Sch. 27 Pt. 3\(4\)](#), Note)

Marginal Citations

- M70** Source-1987 s.35(1)-(7)

589 Qualifying courses of training etc.

F513

Textual Amendments

- F513** S. 589 repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 68, Sch. 8 Pt. 1](#) (with Sch. 7)

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[^{F514}589A Counselling services for employees.

- [^{F515}(1)** This section applies where expenditure (“relevant expenditure”)—
 - (a) is incurred in the provision of services to a person (“the employee”) in connection with the cessation of the person’s office or employment, or
 - (b) is incurred in the payment or reimbursement of—
 - (i) fees for such provision, or
 - (ii) travelling expenses incurred in connection with such provision,
 and (in either case) the relevant conditions are met.

- (1A) In subsection (1) above “the relevant conditions” means—
 - (a) conditions A to D for the purposes of section 310 of ITEPA 2003 (exemptions: counselling and other outplacement services), and
 - (b) in the case of travel expenses, condition E for those purposes.]

- (2) ^{F516}
- (3) ^{F516}
- (4) ^{F516}
- (5) ^{F516}
- (6) ^{F516}

(7) Subsections [^{F517}(8) and (9)] below apply where any relevant expenditure is incurred by the [^{F518}company under which] the employee holds or held the office or employment mentioned in subsection (1) above (the employer).

(8) If and so far as the expenditure would not, apart from this subsection, be so deductible, it shall be deductible in computing for the purposes of Schedule D the [^{F519}profits] of the [^{F520}trade or profession] of the employer for the purposes of which the employee is or was employed.

[^{F521}(9) Where the employer is a company with investment business or a company carrying on life assurance business, subsection (8) above shall have effect as if for the words from “so deductible” onwards there were substituted—

- “so deductible or brought into account, it shall—
 - (a) in a case where the employer is a company with investment business, be deductible as expenses of management under section 75, or
 - (b) in case where the employer is a company carrying on life assurance business, be brought into account under section 76 as expenses payable.”.]

(10) ^{F522}]

Textual Amendments

- F514** Ss. 589A, 589B inserted (27.7.1993) by Finance Act 1993 (c. 34), s. 108
- F515** S. 589A(1)(1A) substituted for s. 589A(1) (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), Sch. 6 para. 69(2) (with Sch. 7)
- F516** S. 589A(2)-(6) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), Sch. 6 para. 69(3)(a), Sch. 8 Pt. 1 (with Sch. 7)

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- F517** Words in s. 589A(7) 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. 251\(2\)\(a\)](#) (with Sch. 2)
- F518** Words in s. 589A(7) 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. 251\(2\)\(b\)](#) (with Sch. 2)
- F519** Word in s. 589A(8) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 1](#)
- F520** Words in s. 589A(8) 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. 251\(3\)](#) (with Sch. 2)
- F521** [S. 589A\(9\)](#) substituted (28.9.2004 with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 ([S.I. 2004/2310](#)), art. 2, Sch. para. 29(2)
- F522** [S. 589A\(10\)](#) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 69\(3\)\(b\), Sch. 8 Pt. 1](#) (with Sch. 7)

Modifications etc. (not altering text)

- C33** [S. 589A](#) modified (with effect in accordance with s. 39(4)(5) of the modifying Act) by [Finance Act 1995 \(c. 4\), Sch. 6 para 25](#) (the modification consisting of the insertion of a s. 589A(9A) for limited purposes, and that s. 589A(9A) was repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by [Finance Act 1998 \(c. 36\), Sch. 27 Pt. 3\(4\)](#), Note)

589B ^{F523} **Qualifying counselling services etc.**

- (1) ^{F524}
- (2) ^{F524}
- (3) ^{F524}
- [^{F525}(4) ^{F524}
- (4A) ^{F524}]
- (5) Any reference in ^{F526} . . . section 589A to an employee being employed by an employer is a reference to the employee holding office or employment under the employer.

Textual Amendments

- F523** [Ss. 589A, 589B](#) inserted (27.7.1993) by [Finance Act 1993 \(c. 34\), s. 108](#)
- F524** [S. 589B\(1\)-\(4A\)](#) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 70\(2\), Sch. 8 Pt. 1](#) (with Sch. 7)
- F525** [S. 589B\(4\)\(4A\)](#) substituted for s. 589B(4) (with effect in accordance with s. 57(4) of the amending Act) by [Finance Act 2001 \(c. 9\), Sch. 12 Pt. 2 para. 13](#)
- F526** Words in [s. 589B\(5\)](#) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 70\(3\), Sch. 8 Pt. 1](#) (with Sch. 7)

Status:

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