



Income Tax Act 2007

2007 CHAPTER 3

PART 10

SPECIAL RULES ABOUT CHARITABLE TRUSTS ETC

Approved charitable investments and loans

558 Approved charitable investments

An investment is an approved charitable investment for the purposes of section 543 (meaning of “non-charitable expenditure”) if it is an investment of any of the following types. *Type 1*

An investment to which section 559 applies.

Type 2

An investment in a common investment fund established under—

- (a) section 22 of the Charities Act 1960 (c. 58),
- (b) section 24 of the Charities Act 1993 (c. 10), or
- (c) section 25 of the Charities Act (Northern Ireland) 1964.

Type 3

An investment in a common deposit fund established under—

- (a) section 22A of the Charities Act 1960, or
- (b) section 25 of the Charities Act 1993.

Type 4

An investment in a fund which—

- (a) is similar to a fund mentioned in relation to Type 2 or 3, and
- (b) is established for the exclusive benefit of charities by or under a provision relating to any particular charities or class of charities contained in an Act.

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Type 5

An interest in land, other than an interest held as security for a debt.

Type 6

Any of the following issued by Her Majesty's Government in the United Kingdom—

- (a) bills,
- (b) Certificates of Tax Deposit,
- (c) Savings Certificates, and
- (d) Tax Reserve Certificates.

Type 7

Northern Ireland Treasury Bills.

Type 8

Units in a unit trust scheme (as defined in section 237(1) of FISMA 2000) or in a recognised scheme (as defined in section 237(3) of FISMA 2000).

“Units” is defined in section 237(2) of FISMA 2000.

Type 9

A deposit with a bank (as defined in section 991)—

- (a) in respect of which interest is payable at a commercial rate, and
- (b) which is not made as part of an arrangement under which a loan is made by the bank to some other person.

Type 10

A deposit with—

- (a) the National Savings Bank,
- (b) a building society, or
- (c) a credit institution which operates on mutual principles and which is authorised by an appropriate governmental body in the territory in which the deposit is taken.

Type 11

Certificates of deposit (including uncertificated eligible debt security units as defined in section 986(3)).

Type 12

A loan or other investment as to which an officer of Revenue and Customs is satisfied, on a claim, that it is made for the benefit of the charitable trust and not for the avoidance of tax (whether by the trust or any other person).

559 Securities which are approved charitable investments

- (1) The investments to which this section applies are investments in securities—
 - (a) issued or guaranteed by the government of a member State of the European Union,

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- (b) issued or guaranteed by the government or a governmental body of any territory or part of a territory,
 - (c) issued by an international entity listed in the Annex to Council Directive [2003/48/EC](#) (directive on taxation of interest payments),
 - (d) issued by an entity meeting the four criteria set out at the end of that Annex,
 - (e) issued by a building society,
 - (f) issued by a credit institution which operates on mutual principles and which is authorised by an appropriate governmental body in the territory in which the securities are issued,
 - (g) issued by an open-ended investment company,
 - (h) issued by a company and listed on a recognised stock exchange, or
 - (i) issued by a company but not listed on a recognised stock exchange.
- (2) Subsection (1) is subject to section 560.
- (3) In this section and in section 560—
- “debentures” includes—
 - (a) debenture stock and bonds (whether constituting a charge on assets or not), and
 - (b) loan stock or notes,
 - “open-ended investment company” is to be read in accordance with section 468A(2) to (4) of ICTA,
 - “securities” includes shares and debentures, and
 - “shares” includes stocks.

560 Conditions to be met for some securities

- (1) Section 559 does not apply to an investment by virtue of subsection (1)(b), (c) or (d) of that section unless—
- (a) condition A is met in relation to the securities, and
 - (b) if the securities are shares or debenture stock, condition B is met in relation to the securities.

But see subsection (3) of this section.

- (2) In the case of an investment in securities issued by a company which is incorporated, section 559 does not apply to the investment by virtue of subsection (1)(i) of that section unless—
- (a) condition A is met in relation to the securities,
 - (b) if the securities are shares or debenture stock, condition B is met in relation to the securities, and
 - (c) condition C is met in relation to the company.

But see subsection (3) of this section.

- (3) Conditions A and B need not be met if the securities are traded or quoted on a money market supervised by the government or a governmental body of any territory or part of a territory.
- (4) Condition A is that the securities are traded or quoted on—
- (a) a recognised investment exchange (as defined in section 285(1) of FISMA 2000), or

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- (b) an investment exchange which constitutes the principal or only market established in a territory on which securities admitted to official listing are dealt in or traded.
- (5) Condition B is that—
- (a) the securities are fully paid up,
 - (b) the terms of the issue of the securities require them to be fully paid up within the period of 9 months beginning with the day after the day on which they are issued, or
 - (c) the securities are shares issued with no nominal value.
- (6) Condition C is that—
- (a) throughout the last business day before the investment day, the company has total issued and paid up share capital of at least £1,000,000 (or the equivalent of £1,000,000 in some other currency), and
 - (b) in each of the five years immediately before the calendar year in which the investment day falls, the company paid a dividend on all the shares issued by the company (excluding any shares issued after the dividend was declared and any shares which by their terms of issue did not rank for dividend for that year).
- (7) For the purposes of the words in brackets in subsection (6)(a) use the exchange rate prevailing in the United Kingdom at the close of business on the last business day before the investment day.
- (8) For the purposes of subsection (6)(b) a company formed—
- (a) to take over the business of another company or other companies, or
 - (b) to acquire the securities of, or control of, another company or other companies,
- is treated as having paid a dividend in any year in which a dividend has been paid by the other company or all of the other companies (as the case may be).
- (9) It is irrelevant that the company is formed for other purposes in addition to those mentioned in paragraph (a) or (b) of subsection (8).
- (10) In this section—
- “business day” means, in relation to an investment, a business day in the place where the investment is made, and
 - “the investment day” means, in relation to an investment, the day on which the investment is made.

561 Approved charitable loans

- (1) A loan is an approved charitable loan for the purposes of section 543 (meaning of “non-charitable expenditure”) if it meets conditions A and B.
- (2) Condition A is that the loan is not made by way of investment.
- (3) Condition B is that either—
 - (a) the loan is made to another charity for charitable purposes only,
 - (b) it is made to a beneficiary of the charitable trust in the course of carrying out the purposes of the charitable trust,

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- (c) it consists of money placed on current account with a bank otherwise than as part of an arrangement under which a loan is made by a bank to some other person, or
 - (d) an officer of Revenue and Customs is satisfied, on a claim, that the loan is made for the benefit of the charitable trust and not for the avoidance of tax (whether by the charitable trust or by some other person).
- (4) In this section “bank” has the meaning given by section 991.

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