



Income Tax Act 2007

2007 CHAPTER 3

PART 10

SPECIAL RULES ABOUT CHARITABLE TRUSTS ETC

Other exemptions

524 Exemption for profits etc of charitable trades

- (1) The income mentioned in subsection (2) is not taken into account in calculating total income if conditions A and B are met.
- (2) The income referred to in subsection (1) is—
 - (a) the profits of a trade carried on by a charitable trust,
 - (b) amounts treated as adjustment income of a charitable trust under section 228 of ITTOIA 2005 in respect of a trade carried on by the trust, and
 - (c) post-cessation receipts arising from a trade carried on by a charitable trust which are received by the trustees of the trust or to which they are entitled.
- (3) Condition A is—
 - (a) in the case of the profits of a trade, that the profits are profits of a tax year in relation to which the trade is a charitable trade,
 - (b) in the case of an amount treated as adjustment income, that the amount arises in a tax year in relation to which the trade is a charitable trade, and
 - (c) in the case of a post-cessation receipt, that the trade was a charitable trade in relation to the tax year in which the cessation occurred.

See section 525 as to when a trade is a charitable trade in relation to a tax year.

- (4) Condition B is that the profits are, or the amount or post-cessation receipt is, (as the case may be) applied to the purposes of the charitable trust only.

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- (5) Sections 232(1) and (2), 235 and 236 of ITTOIA 2005 (when adjustment income is treated as arising) apply for the purposes of subsection (3) as they apply for the purposes of Chapter 17 of Part 2 of that Act.
- (6) In this section “post-cessation receipt” means an amount that is a post-cessation receipt for the purposes of Chapter 18 of Part 2 of ITTOIA 2005 (post-cessation receipts) (see sections 246 to 253 of that Act).

525 Meaning of “charitable trade”

- (1) For the purposes of this Part a trade carried on by a charitable trust is a charitable trade in relation to a tax year if throughout the basis period for the tax year—
- (a) the trade is exercised in the course of carrying out a primary purpose of the charitable trust, or
 - (b) the work in connection with the trade is mainly carried out by beneficiaries of the charitable trust.
- (2) For the purposes of subsection (1)(a), if a trade is exercised partly in the course of carrying out a primary purpose of the charitable trust and partly otherwise, each part is to be treated as a separate trade.
- (3) For the purposes of subsection (1)(b), if work in connection with a trade is carried out partly but not mainly by beneficiaries, the part in connection with which work is carried out by beneficiaries and the other part are to be treated as separate trades.
- (4) If different parts of a trade are treated as separate trades under subsection (2) or (3), a just and reasonable apportionment is to be made for that purpose of—
- (a) expenses and receipts of the trade, and
 - (b) any amounts which are treated as adjustment income under section 228 of ITTOIA 2005 in respect of the trade, or which are post-cessation receipts arising from the trade for the purposes of Chapter 18 of Part 2 of that Act.
- (5) For the rules about basis periods, see Chapter 15 of Part 2 of ITTOIA 2005.

526 Exemption for profits etc of small-scale trades

- (1) The income mentioned in subsection (2) is not taken into account in calculating total income if conditions A and B are met.
- (2) The income referred to in subsection (1) is—
- (a) the profits of a trade carried on by a charitable trust,
 - (b) amounts treated as adjustment income of a charitable trust under section 228 of ITTOIA 2005 in respect of a trade carried on by the trust, and
 - (c) post-cessation receipts arising from a trade carried on by a charitable trust which are received by the trustees of the trust or to which they are entitled.
- (3) Subsection (1) does not apply in respect of—
- (a) profits of a trade that are, apart from this section, exempt from income tax chargeable under Part 2 of ITTOIA 2005,
 - (b) amounts treated as adjustment income that are, apart from this section, exempt from income tax chargeable under Chapter 17 of Part 2 of that Act, or

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- (c) post-cessation receipts that are, apart from this section, exempt from income tax chargeable under Chapter 18 of Part 2 of that Act.
- (4) Condition A is—
 - (a) in the case of the profits of a trade, that the profits are profits of a tax year in relation to which the condition specified in section 528 (condition as to trading and miscellaneous incoming resources) is met,
 - (b) in the case of an amount treated as adjustment income, that the amount arises in such a tax year, and
 - (c) in the case of a post-cessation receipt, that it is received in such a tax year.
- (5) Condition B is that the profits are, or the amount or post-cessation receipt is, (as the case may be) applied to the purposes of the charitable trust only.
- (6) Sections 232(1) and (2), 235 and 236 of ITTOIA 2005 (when adjustment income is treated as arising) apply for the purposes of subsection (4) as they apply for the purposes of Chapter 17 of Part 2 of that Act.
- (7) In this section “post-cessation receipt” means an amount that is a post-cessation receipt for the purposes of Chapter 18 of Part 2 of that Act (post-cessation receipts) (see sections 246 to 253 of that Act).

527 Exemption from charges under provisions to which section 1016 applies

- (1) Any income or gains of a charitable trust that is or are chargeable to income tax under or by virtue of any provision to which section 1016 applies is not or are not taken into account in calculating total income if conditions A and B are met.
- (2) Subsection (1) does not apply in respect of any income or gains chargeable to income tax by virtue of any of—
 - (a) [^{F1}section 1086(2) of CTA 2010] (chargeable payments connected with exempt distributions),
 - ^{F2}(b)
 - (c) Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc),
 - (d) Chapter 5 of Part 5 of that Act (settlements: amounts treated as income of settlor), [^{F3}and]
 - ^{F4}(e)
 - (f) any other enactment specified in an order made by the Treasury.
- (3) Subsection (1) does not apply in respect of any income that is, or gains that are, apart from this section, exempt from income tax chargeable under or by virtue of any provision to which section 1016 applies.
- (4) Condition A is that the income is, or the gains are, for a tax year in relation to which the condition specified in section 528 is met.
- (5) Condition B is that the income is, or the gains are, applied to the purposes of the charitable trust only.

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Textual Amendments

- F1** Words in s. 527(2)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 530](#) (with [Sch. 2](#))
- F2** S. 527(2)(b) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 81, Sch. 10 Pt. 1](#) (with [Sch. 9 paras. 1-9, 22](#))
- F3** Word in s. 527(2)(d) inserted (with effect in accordance with s. 82 of the amending Act) by [Finance Act 2016 \(c. 24\), s. 79\(4\)\(a\)](#) (and also with effect in accordance with [Finance \(No. 2\) Act 2017 \(c. 32\), s. 39\(1\)\(2\)](#))
- F4** S. 527(2)(e) omitted (with effect in accordance with s. 82 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 79\(4\)\(b\)](#) (and also with effect in accordance with [Finance \(No. 2\) Act 2017 \(c. 32\), s. 39\(1\)\(2\)](#))

Modifications etc. (not altering text)

- C1** Ss. 527, 528 modified (22.7.2020) by [Finance Act 2020 \(c. 14\), Sch. 16 para. 6\(5\)](#)

528 Condition as to trading and miscellaneous incoming resources

- (1) The condition in this section is met in relation to a tax year if—
- (a) the sum of the charitable trust's trading incoming resources and miscellaneous incoming resources for the tax year does not exceed the requisite limit for the tax year, or
 - (b) the trustees of the charitable trust had, at the beginning of the tax year, a reasonable expectation that it would not do so.
- (2) The charitable trust's “trading incoming resources” for the tax year are—
- (a) the incoming resources which are required to be taken into account in calculating the profits of, or losses made in, the basis period for the tax year of any non-exempt trade carried on by the charitable trust, and
 - (b) the incoming resources which are treated as adjustment income under section 228 of ITTOIA 2005 in respect of such a trade, or which are post-cessation receipts arising from such a trade.

“Post-cessation receipt” has the meaning given by section 526(7).

- (3) For the purposes of subsection (2) a trade is a “non-exempt trade” if any profits of the trade would not, apart from section 526, be exempt from income tax chargeable under Part 2 of ITTOIA 2005.
- (4) The charitable trust's “miscellaneous incoming resources” for the tax year are the incoming resources which are required to be taken into account in calculating non-exempt miscellaneous income or non-exempt miscellaneous losses for the tax year.

- (5) In this section—

“non-exempt miscellaneous income” means income or gains chargeable to income tax under or by virtue of any provision to which section 1016 applies that is not, or are not, apart from section 526 or 527, exempt from income tax chargeable under or by virtue of that provision, and

“non-exempt miscellaneous losses” means losses arising from a transaction which is of such a nature that if income or gains had arisen from it the income would have been non-exempt miscellaneous income.

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- (6) The requisite limit—
- (a) is 25% of the charitable trust's total incoming resources for the tax year, but
 - (b) must not be less than [^{F5}£8,000] or more than [^{F6}£80,000.]

Textual Amendments

F5 Sum in s. 528(6)(b) substituted (with effect in accordance with s. 41(2) of the amending Act) by [Finance Act 2019 \(c. 1\), s. 41\(1\)\(a\)](#)

F6 Sum in s. 528(6)(b) substituted (with effect in accordance with s. 41(2) of the amending Act) by [Finance Act 2019 \(c. 1\), s. 41\(1\)\(b\)](#)

Modifications etc. (not altering text)

C1 Ss. 527, 528 modified (22.7.2020) by [Finance Act 2020 \(c. 14\), Sch. 16 para. 6\(5\)](#)

529 Exemption for profits from fund-raising events

- (1) The profits of a trade carried on by a charitable trust are not taken into account in calculating total income so far as they arise from a VAT-exempt event.
- (2) Subsection (1) applies so far as the profits are [^{F7}either applied for charitable purposes or transferred to another charity].
- (3) An event is a VAT-exempt event if the supply of goods and services by the charitable trust in connection with the event would be exempt from value added tax under Group 12 of Schedule 9 to the Value Added Tax Act 1994 (c. 23) (fund-raising events by charities and other qualifying bodies).

Textual Amendments

F7 Words in s. 529(2) substituted (1.4.2011) (with effect in accordance with art. 14(2) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2011 \(S.I. 2011/1037\), arts. 1, 14\(1\)](#)

530 Exemption for profits from lotteries

- (1) The profits accruing to a charitable trust from a lottery are not taken into account in calculating total income if conditions A and B are met.
- (2) Condition A is that—
 - [^{F8}(a) the lottery is an exempt lottery within the meaning of the Gambling Act 2005 by virtue of Part 1 or 4 of Schedule 11 to that Act,
 - (ab) the lottery is promoted in accordance with a lottery operating licence within the meaning of Part 5 of that Act, or]
 - (b) the lottery is promoted and conducted in accordance with Article 133 or 135 of the Betting, Gaming, Lotteries and Amusements (Northern Ireland) Order 1985 (S.I. 1985/1204 (N.I. 11)).
- (3) Condition B is that the profits are applied to the purposes of the charitable trust only.

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Textual Amendments

- F8** S. 530(2)(a)(ab) substituted for s. 530(2)(a) (1.9.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 25 para. 2, 23\(2\)](#); [S.I. 2007/2532](#), art. 2

531 Exemption for property income etc

- (1) Income which is chargeable to income tax under Part 2 of ITTOIA 2005 (trading income) as a result of section 261 of that Act is not taken into account in calculating total income so far as—
 - (a) it arises in respect of rents or other receipts from an estate, interest or right in or over land, and
 - (b) the estate, interest or right is vested in any person in trust for a charitable trust or for charitable purposes.
- (2) Income which is chargeable to income tax under Part 3 of ITTOIA 2005 (property income) is not taken into account in calculating total income so far as—
 - (a) it arises in respect of an estate, interest or right in or over land, and
 - (b) the estate, interest or right is vested in any person in trust for a charitable trust or for charitable purposes.
- [^{F9}(2A) Distributions to which [^{F10}section 548 of CTA 2010] (Real Estate Investment Trusts: distributions) applies and which are chargeable to income tax under Part 2 or Part 3 of ITTOIA 2005 are not taken into account in calculating total income so far as they arise in respect of shares vested in a person in trust for a charitable trust or for charitable purposes.]
- (3) Subsection (1) [^{F11}to (2A)] apply so far as the income is applied to charitable purposes only.

Textual Amendments

- F9** S. 531(2A) inserted (with effect in accordance with s. 52(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 17 para. 18\(a\)](#)
- F10** Words in s. 531(2A) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 531](#) (with [Sch. 2](#))
- F11** Words in s. 531(3) substituted (with effect in accordance with s. 52(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 17 para. 18\(b\)](#)

532 Exemption for savings and investment income

- (1) The income mentioned in subsection (2) is not taken into account in calculating total income if—
 - (a) it is income of a charitable trust, or
 - (b) it is required, under an Act, court judgment, charter, trust deed or will, to be applied to charitable purposes only.
- (2) The income referred to in subsection (1) is—
 - (a) interest,
 - (b) a dividend or other distribution of a UK resident company,

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- (c) a dividend of a non-UK resident company,
 - (d) an annuity payment under a purchased life annuity,
 - (e) profits on the disposal of deeply discounted securities, or
 - (f) income treated for the purposes of [F12] regulation 15 of the Unauthorised Unit Trusts (Tax) Regulations 2013 as received by a unit holder from an exempt unauthorised unit trust].
- (3) Subsection (1) applies only so far as the income falls within, and is dealt with under, Part 4 of ITTOIA 2005 (see section 366 of that Act as to provisions given priority over Part 4).
- (4) Subsection (1) applies so far as the income is applied to charitable purposes only.
- (5) In this section—

“deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 430 of that Act),

“disposal”, in relation to a deeply discounted security, has the same meaning as in Chapter 8 of Part 4 of that Act (see section 437(1) of that Act),

“dividend”, in relation to a UK resident company, has the same meaning as in Chapter 3 of Part 4 of that Act (dividends etc from UK resident companies etc) (see section 382(4) of that Act),

“interest” includes anything treated as interest for the purposes of Chapter 2 of Part 4 of that Act (interest), and

“purchased life annuity” has the same meaning as in Chapter 7 of Part 4 of that Act (purchased life annuity payments) (see section 423 of that Act).

Textual Amendments

F12 Words in s. 532(2)(f) substituted (6.4.2014) by [The Unauthorised Unit Trusts \(Tax\) Regulations 2013](#) (S.I. 2013/2819), regs. 1(3), **37(7)** (with reg. 32)

533 Exemption for public revenue dividends

- (1) Public revenue dividends on securities which are in the name of trustees are not taken into account in calculating total income so far as the dividends are applicable and applied only for the repair of—
- (a) a cathedral, college, church or chapel, or
 - (b) a building used only for the purposes of divine worship.
- (2) In this section “public revenue dividends” means—
- (a) income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland, or
 - (b) income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.

534 Exemption for transactions in deposits

- (1) Profits or gains arising to a charitable trust from the disposal of exempt deposit rights are not taken into account in calculating total income.

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- (2) Subsection (1) applies so far as the profits or gains are applied to charitable purposes only.
- (3) For the purposes of this section, the exercise of an exempt deposit right is a disposal of it, except so far as the right is a right to receive interest.
- (4) In this section “exempt deposit rights” means—
- (a) a right to receive, with or without interest, a principal amount stated in, or determined in accordance with, the current terms of issue of an eligible debt security, where in accordance with those terms the issue of uncertificated units of the eligible debt security corresponds to the issue of a certificate of deposit,
 - (b) a right to receive the principal amount stated in a certificate of deposit, with or without interest, and
 - (c) an uncertificated right to receive a principal amount, with or without interest, as a result of a deposit of money.
- (5) In this section—
- “eligible debt security” has the meaning given in regulation 3(1) of the Uncertificated Securities Regulations 2001 (S.I. 2001/3755),
- “uncertificated”, in relation to a unit, has the meaning given in regulation 3(1) of the Uncertificated Securities Regulations 2001,
- “uncertificated right” means a right in respect of which no certificate of deposit has been issued, although the person for the time being entitled to it is entitled to call for the issue of such a certificate, and
- “unit” has the meaning given in regulation 3(1) of the Uncertificated Securities Regulations 2001.

535 Exemption for offshore income gains

- (1) Offshore income gains accruing to a charitable trust are not taken into account in calculating total income.
- (2) Subsection (1) applies if the gain is applicable and applied to charitable purposes only.
- (3) In this section “offshore income gain” has the same meaning as in [^{F13}Chapter 5 of Part 2 of the Offshore (Tax) Funds Regulations 2009 (S.I. 2009/3001)].
- (4) See [^{F14}regulation 31(3) to (5) of the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001)], which—
- (a) applies where property held on charitable trusts ceases to be subject to charitable trusts, and
 - (b) provides for any gain accruing under that subsection to be treated as an offshore income gain not accruing to a charity.

Textual Amendments

- F13** Words in s. 535(3) substituted (with effect in accordance with art. 1(2)(3) Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), regs. 1(1), [129\(4\)\(a\)](#)
- F14** Words in s. 535(4) substituted (with effect in accordance with art. 1(2)(3) Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), regs. 1(1), [129\(4\)\(b\)](#)

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536 Exemption for certain miscellaneous income

- (1) The income mentioned in subsection (3) is not taken into account in calculating total income if—
 - (a) it is income of a charitable trust, or
 - (b) it is required, under an Act, court judgment, charter, trust deed or will, to be applied to charitable purposes only.
- (2) Subsection (1) applies so far as the income is applied to charitable purposes only.
- (3) The income referred to in subsection (1) is—
 - (a) royalties and other income from intellectual property that do not fall within Chapter 2 of Part 2 of ITTOIA 2005 (receipts of a trade etc),
 - (b) income derived from a relevant telecommunication right that is not income falling within Chapter 2 of Part 2 of ITTOIA 2005 (receipts of a trade etc),
 - (c) annual payments charged to tax under Chapter 7 of Part 5 of ITTOIA 2005, and
 - (d) relevant foreign distributions.
- (4) In this section—

“intellectual property” has the same meaning as in section 579 of ITTOIA 2005,

“relevant foreign distribution” means a distribution of a non-UK resident company which—

 - (a) is not chargeable to tax under Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies), but
 - (b) would be chargeable to tax under Chapter 3 of that Part of that Act (dividends etc from UK resident companies etc) if the company were a UK resident company, and

“relevant telecommunication right” has the same meaning as in Chapter 10 of Part 2 of that Act (trade profits: certain telecommunications rights) (see section 146 of that Act).

537 Exemption for income from estates in administration

- (1) If the person liable under section 659 of ITTOIA 2005 for any income tax charged under section 649 of that Act (charge to tax on estate income) is the trustee of a charitable trust, the estate income is not taken into account in calculating total income.
- (2) Subsection (1) applies so far as the estate income is applied to the purposes of the charitable trust only.
- (3) In this section “estate income” has the same meaning as in Chapter 6 of Part 5 of ITTOIA 2005 (beneficiaries' income from estates in administration) (see section 649(2) of that Act).

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