
DRAFT STATUTORY INSTRUMENTS

2019 No.

**The Income Tax (Trading and Other Income) Act 2005
(Amendments to Chapter 2A of Part 5) Regulations 2019**

Amendments to Chapter 2A of Part 5 of ITTOIA 2005

11. After section 608MA (inserted by regulation 10) insert—

“Exemption for certain bodies corporate that are transparent in full treaty territory

608MB.—(1) This section applies where—

- (a) a body corporate formed under the laws of a full treaty territory (“the relevant territory”) is not regarded under those laws, for tax purposes, as an entity separate and distinct from its members,
- (b) the body is not resident, at any time in a tax year, in a territory that is not a full treaty territory,
- (c) UK-derived amounts arise to the body in the tax year, and
- (d) each relevant member is resident in the relevant territory throughout the tax year.

(2) In the application of section 608A to the body for the tax year, no account is to be taken of the UK-derived amounts.

(3) The relevant members are to be determined as follows—

- (a) each member of the body is a relevant member (subject to paragraph (b));
- (b) if a body corporate that meets the conditions in subsection (4) would otherwise be a relevant member, that body’s members are relevant members (and that body is not a relevant member);
- (c) paragraph (b) applies in relation to a body that would otherwise be a relevant member by virtue of that paragraph (as well as in relation to a body that would otherwise be a relevant member by virtue of paragraph (a)).

(4) The conditions referred to in subsection (3)(b) are—

- (a) that the body is formed under the laws of the relevant territory;
- (b) that under those laws, the body is not regarded for tax purposes as an entity separate and distinct from its members;
- (c) that the body is not resident, at any time in the tax year, in a territory that is not a full treaty territory.”.