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Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER VI

MISCELLANEOUS BUSINESSES AND BODIES

503 Letting of furnished holiday accommodation treated as a trade.

- (1) ^{M1}Subject to the following provisions of this section, for the purposes of sections 5(2), 380 to 390, 393, [^{F1}393A(1)], 401, 623(2)(c), 644(2)(c) and 833(4)(c) . . . ^{F2}—
 - (a) the commercial letting of furnished holiday accommodation in the United Kingdom in respect of which the profits or gains are chargeable under Case VI of Schedule D shall be treated as a trade; and
 - (b) all such lettings made by a particular person or partnership or body of persons shall be treated as one trade.
- (2) ^{M2}In their application by virtue of subsection (1) above sections 390(1) and 401(1) shall have effect as if for the references in those sections to Case I of Schedule D there were substituted references to Case VI of that Schedule.
- (3) No relief shall be given to an individual under section 381 as it has effect by virtue of subsection (1) above, in respect of a loss sustained in any year of assessment, if any of the accommodation in respect of which the trade is carried on in that year was first let by him as furnished accommodation more than three years before the beginning of that year of assessment.
- (4) Relief shall not be given for the same loss or the same portion of a loss both under any provision of Chapters I and II of Part X except sections 391, 392, 395 and 396, as those Chapters apply by virtue of this section, and under any other provision of the Tax Acts.

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- (5) ^{M3}In computing the profits or gains arising from the commercial letting of furnished holiday accommodation which are chargeable to tax under Case VI of Schedule D, such expenditure may be deducted as would be deductible if the letting were a trade and those profits or gains were accordingly to be computed in accordance with the rules applicable to Case I of that Schedule.
- (6) ^{M4}Where there is a letting of accommodation only part of which is holiday accommodation such apportionments shall be made for the purposes of this section as [^{F3}are] just and reasonable.
- (7) Where a person has been charged to income tax or corporation tax otherwise than in accordance with the provisions of this section, such assessment, reduction or discharge of an assessment or, where a claim for repayment is made, such repayment, shall be made as may be necessary to give effect to those provisions.

Textual Amendments

- F1** Words in s. 503(1) substituted by Finance Act 1991 (c. 31, SIF 63:1), s. 73(3)(4)(5), Sch. 15 para. 18
- F2** Words repealed by 1990(C) s.164(4) and Sch.2. See 1989 edition for these provisions.
- F3** Word in s. 503(6) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 20 para. 30

Modifications etc. (not altering text)

- C1** S. 503 modified (with effect in accordance with s. 39(4)(5) of the modifying Act) by Finance Act 1995 (c. 4), Sch. 6 para. 21

Marginal Citations

- M1** Source—1984 s.50(1), Sch.11 1; 1987 (No.2) Sch.2 6
- M2** Source—1984 Sch.11 2
- M3** Source—1984 Sch.11 3
- M4** Source—1984 Sch.11 6, 7

504 Supplementary provisions.

- (1) ^{M5}This section has effect for the purposes of section 503.
- (2) A letting—
- (a) is a commercial letting if it is let on a commercial basis and with a view to the realisation of profits; and
 - (b) is of furnished accommodation if the tenant is entitled to the use of furniture.
- (3) Accommodation shall not be treated as holiday accommodation for the purposes of this section unless—
- (a) it is available for commercial letting to the public generally as holiday accommodation for periods which amount, in the aggregate, to not less than 140 days;
 - (b) the periods for which it is so let amount in the aggregate to at least 70 days; and
 - (c) for a period comprising at least seven months (which need not be continuous but includes any months in which it is let as mentioned in paragraph (b) above) it is not normally in the same occupation for a continuous period exceeding 31 days.

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- (4) Any question whether accommodation let by any person other than a company is, at any time in a year of assessment, holiday accommodation shall be determined—
- (a) if the accommodation was not let by him as furnished accommodation in the preceding year of assessment but is so let in the following year of assessment, by reference to the 12 months beginning with the date on which he first so let it in the year of assessment;
 - (b) if the accommodation was let by him as furnished accommodation in the preceding year of assessment but is not so let in the following year of assessment, by reference to the 12 months ending with the date on which he ceased so to let it in the year of assessment; and
 - (c) in any other case, by reference to the year of assessment.
- (5) Any question whether accommodation let by a company is at any time in an accounting period holiday accommodation shall be determined—
- (a) if the accommodation was not let by it as furnished accommodation in the period of 12 months immediately preceding the accounting period but is so let in the period of 12 months immediately following the accounting period, by reference to the 12 months beginning with the date in the accounting period on which it first so let it;
 - (b) if the accommodation was let by it as furnished accommodation in the period of 12 months immediately preceding the accounting period but is not so let by it in the period of 12 months immediately following the accounting period, by reference to the 12 months ending with the date in the accounting period on which it ceased so to let it;
 - (c) in any other case, by reference to the period of 12 months ending with the last day of the accounting period.
- (6) Where, in any year of assessment or accounting period, a person lets furnished accommodation which is treated as holiday accommodation for the purposes of this section in that year or period (“the qualifying accommodation”), he may make a claim under this subsection, within [^{F4}the time specified in subsection (6A) below], for averaging treatment to apply for that year or period to that and any other accommodation specified in the claim which was let by him as furnished accommodation during that year or period and would fall to be treated as holiday accommodation in that year or period if subsection (3)(b) above were satisfied in relation to it.
- [^{F5}(6A) The time mentioned in subsection (6) above is—
- (a) in the case of a claim for the purposes of income tax, the period ending with the first anniversary of the 31st January next following the year of assessment in which the accommodation was let;
 - (b) in the case of a claim for the purposes of corporation tax, the period of two years beginning at the end of the accounting period in which the accommodation was let.]
- (7) Where a claim is made under subsection (6) above in respect of any year of assessment or accounting period, any such other accommodation shall be treated as being holiday accommodation in that year or period if the number of days for which the qualifying accommodation and any other such accommodation was let by the claimant as mentioned in subsection (3)(a) above during the year or period amounts on average to at least 70.

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- (8) Qualifying accommodation may not be specified in more than one claim in respect of any one year of assessment or accounting period.
- (9) For the purposes of this section a person lets accommodation if he permits another person to occupy it, whether or not in pursuance of a lease; and “letting” and “tenant” shall be construed accordingly.

Textual Amendments

- F4** Words in s. 504(6) substituted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 21 para. 14(2)**
- F5** S. 504(6A) inserted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 21 para. 14(3)**

Modifications etc. (not altering text)

- C2** S. 504 applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), **ss. 241(2), 289** (with ss. 60, 101(1), 171, 201(3))

Marginal Citations

- M5** Source—1984 s.50(2)-(9)

VALID FROM 06/04/2005

[^{F6}504A Letting of furnished holiday accommodation treated as trade for certain income tax purposes

- (1) For the purposes specified in subsection (2)—
- (a) a UK property business which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation is treated as if it were a trade the profits of which are chargeable to income tax under Part 2 of ITTOIA 2005, and
 - (b) all such lettings made by a particular person or partnership or body of persons are treated as one trade.

The “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.

- (2) Subsection (1) applies for the purposes of—
- (a) Chapter 1 of Part 10 (loss relief for income tax),
 - (b) section 833(4)(c) (income regarded as earned income), and
 - (c) section 189(2)(b) of the Finance Act 2004 (income regarded as relevant UK earnings for pension purposes).
- (3) Chapter 1 of Part 10 as applied by this section has effect with the following adaptations—
- (a) no relief is to be given to an individual under section 381 (relief for losses in early years of trade) in respect of a year of assessment if any of the accommodation in respect of which the trade is carried on in that year was first let by that person as furnished accommodation more than three years before the beginning of that year of assessment;

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- (b) section 384 (restrictions on right of set-off) has effect with the omission of subsections (6) to (8) (which relate to certain losses attributable to capital allowances);
 - (c) section 390 (treatment of interest as loss) has effect as if the reference to a trade carried on wholly or partly in the United Kingdom were a reference to the UK property business so far as it is treated as a trade.
- (4) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable.
- (5) Relief is not to be given for the same loss, or the same portion of a loss, both under a provision of Chapter 1 of Part 10 as applied by this section and under any other provision of the Income Tax Acts.]

Textual Amendments

- F6** S. 504A inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 197* (with Sch. 2)

505 Charities: general.

- (1) ^{M6}Subject to subsections (2) and (3) below, the following exemptions shall be granted on a claim in that behalf to the Board—
- [^{F7}(a) exemption from tax under Schedules A and D in respect of any profits or gains arising in respect of rents or other receipts from an estate, interest or right in or over any land (whether situated in the United Kingdom or elsewhere) to the extent that the profits or gains—
 - (i) arise in respect of rents or receipts from an estate, interest or right vested in any person for charitable purposes; and
 - (ii) are applied to charitable purposes only;]
 - (b) *exemption from tax under Schedule B in respect of any lands occupied by a charity*^{F8};
 - (c) exemption—
 - (i) ^{F9}
 - [^{F10}(ii) from tax under Case III of Schedule D,
 - (ia) from tax under Case IV or V of Schedule D in respect of income equivalent to income chargeable under Case III of that Schedule but arising from securities or other possessions outside the United Kingdom,
 - (iib) from tax under Case V of Schedule D in respect of income consisting in any such dividend or other distribution of a company not resident in the United Kingdom as would be chargeable to tax under Schedule F if the company were so resident, and]
 - (iii) from tax under Schedule F in respect of any distribution,where the income in question forms part of the income of a charity, or is, according to rules or regulations established by Act of Parliament, charter, decree, deed of trust or will, applicable to charitable purposes only, and so far as it is applied to charitable purposes only;

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- [^{F11}(d) exemption from tax under Schedule D in respect of public revenue dividends on securities which are in the name of trustees, to the extent that the dividends are applicable and applied only for the repair of—
- (i) any cathedral, college, church or chapel, or
 - (ii) any building used only for the purposes of divine worship;]
- (e) exemption from tax under Schedule D in respect of the profits of any trade carried on by a charity [^{F12}(whether in the United Kingdom or elsewhere)], if the profits are applied solely to the purposes of the charity and either—
- (i) the trade is exercised in the course of the actual carrying out of a primary purpose of the charity; or
 - (ii) the work in connection with the trade is mainly carried out by beneficiaries of the charity.
- [^{F13}(f) exemption from tax under Schedule D in respect of profits accruing to a charity from a lottery if—
- (i) the lottery is promoted and conducted in accordance with section 3 or 5 of the ^{M7}Lotteries and Amusements Act 1976 or Article 133 or 135 of the ^{M8}Betting, Gaming, Lotteries and Amusements (Northern Ireland) Order 1985; and
 - (ii) the profits are applied solely to the charity's purposes.]
- [^{F14}(1A) In subsection (1)(d) above “public revenue dividends” means—
- (a) income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland;
 - (b) income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.]
- (2) ^{M9}Any payment which—
- (a) is received by a charity from another charity; and
 - (b) is not made for full consideration in money or money's worth; and
 - (c) is not chargeable to tax apart from this subsection; and
 - (d) is not, apart from this subsection, of a description which (on a claim) would be eligible for relief from tax by virtue of any provision of subsection (1) above;
- shall be chargeable to tax under Case III of Schedule D but shall be eligible for relief from tax under subsection (1)(c) above as if it were an annual payment.
- (3) ^{M10}If in any chargeable period of a charity—
- (a) its relevant income and gains are not less than £10,000; and
 - (b) its relevant income and gains exceed the amount of its qualifying expenditure; and
 - (c) the charity incurs, or is treated as incurring, non-qualifying expenditure;
- relief shall not be available under either subsection (1) above or section [^{F15}256 of the 1992 Act] for so much of the excess as does not exceed the non-qualifying expenditure incurred in that period.
- (4) In relation to a chargeable period of less than 12 months, subsection (3) above shall have effect as if the amount specified in paragraph (a) of that subsection were proportionately reduced.
- (5) In subsection (3) above “relevant income and gains” means—

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- (a) income which apart from subsection (1) above would not be exempt from tax together with any income which is taxable notwithstanding that subsection; and
 - (b) gains which apart from section [F15256 of the 1992 Act] would be chargeable gains together with any gains which are chargeable gains notwithstanding that section.
- (6) ^{M11}Where by virtue of subsection (3) above there is an amount of a charity's relevant income and gains for which relief under subsection (1) above and section [F15256 of the 1992 Act] is not available, the charity may, by notice to the Board, specify which items of its relevant income and gains are, in whole or in part, to be attributed to that amount, and, for this purpose, all covenanted payments to charity (within the meaning of [F16section 347A(7)]) shall be treated as a single item; and if within 30 days of being required to do so by the Board, a charity does not give notice under this subsection, the items of its relevant income and gains which are to be attributed to the amount in question shall be such as the Board may determine.
- (7) Where it appears to the Board that two or more charities acting in concert are engaged in transactions of which the main purpose or one of the main purposes is the avoidance of tax (whether by the charities or by any other person), the Board may by notice given to the charities provide that, for such chargeable periods as may be specified in the notice, subsection (3) above shall have effect in relation to them with the omission of paragraph (a).
- (8) An appeal may be brought against a notice under subsection (7) above as if it were notice of the decision of the Board on a claim made by the charities concerned.

Textual Amendments

- F7** S. 505(1)(a) substituted (with effect in accordance with s. 146(5) of the amending Act) by Finance Act 1996 (c. 8), s. 146(2)
- F8** Repealed by 1988(F) s.148 and Sch.14 Part V from 6 April 1988.
- F9** S. 505(1)(c)(i) repealed (with effect in accordance with Sch. 7 para. 32, Sch. 41 Pt. 5(2) Note of the repealing Act) by Finance Act 1996 (c. 8), Sch. 7 para. 19(1), Sch. 41 Pt. 5(2) (with Sch. 7 paras. 33-35)
- F10** S. 505(1)(c)(ii)-(iib) substituted for s. 505(1)(c)(ii) (with effect in accordance with s. 146(5) of the amending Act) by Finance Act 1996 (c. 8), s. 146(3)
- F11** S. 505(1)(d) substituted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), Sch. 7 para. 19(2) (with Sch. 7 paras. 33-35)
- F12** Words in s. 505(1)(e) inserted (with effect in accordance with s. 146(5) of the amending Act) by Finance Act 1996 (c. 8), s. 146(4)
- F13** S. 505(1)(f) inserted (with effect in accordance with s. 138(2) of the amending Act) by Finance Act 1995 (c. 4), s. 138(1)
- F14** S. 505(1A) inserted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), Sch. 7 para 19(3) (with Sch. 7 paras. 33-35)
- F15** Words in s. 505(3)(5)(b)(6) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290(1), Sch. 10 para. 14(31) (with ss. 60, 101(1), 171(1), 201(3))
- F16** Words in s. 505(6) substituted (with effect in accordance with s. 74 of the amending Act) by Finance Act 1995 (c. 4), Sch. 17 para. 7

Modifications etc. (not altering text)

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

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- C4** See the following sections of this Act:—s.86—employees seconded to charities.s.235and 237—disallowance of relief, and charge at additional rate, on income from stripping distributions etc.s.332—relief in respect of premises held by a charity or ecclesiastical corporation for use as official residence of clergyman or minister.s.507—exemption of the Trustees of the National Heritage Memorial Fund; and exemption of the Historic Buildings and Monuments Commission for England;s.660—dispositions of income for short periods.s.682(1)—application of 1988 Part XV Ch.III (income under revocable settlements, etc.)where settlement trustees are trustees for charitable purposes.s.683 to 685—tax on income under certain settlements.s.704—cancellation of tax advantages from certain transactions in securities.s.733—interest and dividends on securities purchased and resold.
 and see—1989 s.94and Sch.11 para.15—deep gain securities.1990 s.56and Sch.10 para.21—exemption for convertible securities held by charities.Charities Act 1960 (c.58) s.5 (construed as in ss.45and 46)—effect of registration as a charity in England and Wales and s.9 (in Part II Vol.5)—exchange of information with other government departments and local authorities.

Marginal Citations

- M6** Source—1970 s.360(1)
M7 1976 c. 32.
M8 S.I. 1985/1204 (N.I.11).
M9 Source—1986 s.30(1)
M10 Source—1986 s.31(1), (2), (3)(c), (d)
M11 Source—1986 s.31(7)-(9)

506 Qualifying expenditure and non-qualifying expenditure.

- (1) ^{M12}In this section, section 505 and Schedule 20—
 “charity” means any body of persons or trust established for charitable purposes only;
 “qualifying expenditure”, in relation to a chargeable period of a charity, means, subject to subsection (3) below, expenditure incurred in that period for charitable purposes only; and
 “non-qualifying expenditure” means expenditure which is not qualifying expenditure.
- (2) ^{M13}For the purposes of section 505 and subsection (1) above, where expenditure which is not actually incurred in a particular chargeable period properly falls to be charged against the income of that chargeable period as being referable to commitments (whether or not of a contractual nature) which the charity has entered into before or during that period, it shall be treated as incurred in that period.
- (3) A payment made (or to be made) to a body situated outside the United Kingdom shall not be qualifying expenditure by virtue of this section unless the charity concerned has taken such steps as may be reasonable in the circumstances to ensure that the payment will be applied for charitable purposes.
- (4) ^{M14}If in any chargeable period a charity—
 (a) invests any of its funds in an investment which is not a qualifying investment, as defined in Part I of Schedule 20; or
 (b) makes a loan (not being an investment) which is not a qualifying loan, as defined in Part II of that Schedule;

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then, subject to subsection (5) below, the amount so invested or lent in that period shall be treated for the purposes of this section as being an amount of expenditure incurred by the charity, and, accordingly, as being non-qualifying expenditure.

(5) If, in any chargeable period, a charity which has in that period made an investment or loan falling within subsection (4) above—

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

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

(6) If the aggregate of the qualifying and non-qualifying expenditure incurred by a charity in any chargeable period exceeds the relevant income and gains of that period, Part III of Schedule 20 shall have effect to treat, in certain cases, some or all of that excess as non-qualifying expenditure incurred in earlier periods.

Modifications etc. (not altering text)

C5 *Definition employed for purposes of: 1990 s.25—donation to charity by individuals. 1990 s.56 and Sch.10 para.21—exemption for convertible securities held by charities. 1990 s.94(1)—inspection powers (definition extended to cover bodies mentioned in sections 507 and 508).*

Marginal Citations

M12 Source—1970 s.360(3); 1986 s.31(1)(a), (c), Sch.7 1(1)
M13 Source—1986 Sch.7 1(2), (3)
M14 Source—1986 s.31(4)-(6)

VALID FROM 19/07/2006

[^{F17}506A Transactions with substantial donors

(1) This section applies to the following transactions—

- (a) the sale or letting of property by a charity to a substantial donor,
- (b) the sale or letting of property to a charity by a substantial donor,
- (c) the provision of services by a charity to a substantial donor,
- (d) the provision of services to a charity by a substantial donor,
- (e) an exchange of property between a charity and a substantial donor,
- (f) the provision of financial assistance by a charity to a substantial donor,
- (g) the provision of financial assistance to a charity by a substantial donor, and
- (h) investment by a charity in the business of a substantial donor.

(2) For the purposes of this section a person is a substantial donor to a charity in respect of a chargeable period if—

- (a) the charity receives relievable gifts of at least £25,000 from him in a period of 12 months in which the chargeable period wholly or partly falls, or
- (b) the charity receives relievable gifts of at least £100,000 from him in a period of six years in which the chargeable period wholly or partly falls;

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and if a person is a substantial donor to a charity in respect of a chargeable period by virtue of paragraph (a) or (b), he is a substantial donor to the charity in respect of the following five chargeable periods.

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

Textual Amendments

F17 Ss. 506A-506C inserted (with effect in accordance with s. 54(2)(3) of the amending Act) by Finance Act 2006 (c. 25), s. 54(1)

VALID FROM 19/07/2006

^{F17}Section 506A: exceptions

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

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- (b) is not part of an arrangement for the avoidance of any tax.
- (4) Section 506A shall not apply to investment by a charity in the business of a substantial donor where the investment takes the form of the purchase of shares or securities listed on a recognised stock exchange.
- (5) A disposal at an undervalue to which section 587B applies shall not be a transaction to which section 506A applies (but may be taken into account in the application of section 506A(2)).
- (6) A disposal at an undervalue to which section 257(2) of the 1992 Act (gifts of chargeable assets) applies shall not be a transaction to which section 506A applies (but may be taken into account in the application of section 506A(2)).
- (7) In the application of section 506A payments by a charity, or benefits arising to a substantial donor from a transaction, shall be disregarded in so far as they—
- (a) relate to a donation by the donor, and
 - (b) do not exceed the relevant limit in relation to the donation for the purposes of section 339 or section 25 of the Finance Act 1990.
- (8) A company which is wholly owned by a charity within the meaning of section 339(7AB) shall not be treated as a substantial donor in relation to the charity which owns it (or any of the charities which own it).
- (9) A registered social landlord or housing association shall not be treated as a substantial donor in relation to a charity with which it is connected; and for that purpose—
- (a) “registered social landlord or housing association” means a body entered on a register maintained under—
 - (i) section 1 of the Housing Act 1996,
 - (ii) section 57 of the Housing (Scotland) Act 2001, or
 - (iii) Article 14 of the Housing (Northern Ireland) Order 1992, and
 - (b) a body and a charity are connected if (and only if)—
 - (i) the one is wholly owned, or subject to control, by the other, or
 - (ii) both are wholly owned, or subject to control, by the same person.]

Textual Amendments

F17 Ss. 506A-506C inserted (with effect in accordance with s. 54(2)(3) of the amending Act) by Finance Act 2006 (c. 25), s. 54(1)

VALID FROM 19/07/2006

[^{F17}506C Sections 506A and 506B: supplemental

- (1) A gift is “relievable” for the purposes of section 506A(2) if relief is available in respect of it under—
- (a) section 83A,
 - (b) section 339,
 - (c) sections 587B and 587C,
 - (d) section 25 of the Finance Act 1990 (individual gift aid),

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- (e) section 257 of the 1992 Act (gifts of chargeable assets),
 - (f) section 63 of the Capital Allowances Act (gifts of plant and machinery),
 - (g) sections 713 to 715 of ITEPA 2003 (payroll giving),
 - (h) section 108 of ITTOIA 2005 (gifts of trading stock), or
 - (i) sections 628 and 630 of ITTOIA 2005 (gifts from settlor-interested trusts).
- (2) A charity is treated as incurring expenditure in accordance with section 506A(4) at such time (or times) as the Commissioners determine.
- (3) Section 506A applies to a transaction entered into in a chargeable period with a person who is a substantial donor in respect of that period, even if it was not until after the transaction was entered into that he first satisfied the definition of “substantial donor” in respect of that period.
- (4) Either or both of subsections (3) and (4) of section 506A may be applied to a single transaction; but any amount of non-charitable expenditure which a charity is treated as incurring under section 506A(3) in respect of a transaction shall be deducted from any amount which it would otherwise be treated as incurring under section 506A(4) in respect of the transaction.
- (5) Two or more connected charities shall be treated as a single charity for the purposes of section 506A and 506B and this section; and for this purpose “connected” means connected in a matter relating to the structure, administration or control of a charity.
- (6) Where remuneration is paid otherwise than in money, section 506A(5) shall apply as to a payment in money of the amount that would, under Part 3 of ITEPA 2003, be the cash equivalent of the remuneration as a benefit.
- (7) In sections 506A and 506B and this section—
- (a) a reference to a substantial donor or other person includes a reference to a person connected with him within the meaning of section 839,
 - (b) “financial assistance” includes, in particular—
 - (i) the provision of a loan, guarantee or indemnity, and
 - (ii) entering into alternative finance arrangements within the meaning of section 46 of the Finance Act 2005, and
 - (c) a reference to a gift of a specified amount includes a reference to a non-monetary gift of that value.
- (8) On an appeal against an assessment the Special Commissioners may review a decision of the Commissioners in connection with section 506A.
- (9) The Treasury may by regulations vary a sum, or a period of time, specified in section 506A(2).]

Textual Amendments

F17 Ss. 506A-506C inserted (with effect in accordance with s. 54(2)(3) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 54\(1\)](#)

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

- (1)^{M15} There shall on a claim in that behalf to the Board be allowed in the case of—
- (a) the Trustees of the National Heritage Memorial Fund;
 - (b) the Historic Buildings and Monuments Commission for England;
 - [^{F18}(c) the Trustees of the British Museum;
 - (d) the Trustees of the [^{F19}Natural History Museum];]
 - [^{F20}(e) the United Kingdom Ecolabelling Board;]
- such exemption from tax as falls to be allowed under section 505 in the case of a charity the whole income of which is applied to charitable purposes.
- (2)^{M16} *The Trustees of the British Museum and the Trustees of the British Museum (Natural History) shall each be entitled, on a claim in that behalf to the Board, to the following exemptions—*
- (a) *exemption from tax under Schedules A and D in respect of any land, or interest in or right over land, vested in them; and*
 - (b) *the like exemptions in respect of any dividends of stock vested in them, or in any other person for their use, and in respect of distributions charged under Schedule F, as are granted to charities under section 505*^{F21}.

Textual Amendments

- F18** 1989 s.60(1) in relation to accounting periods ending on or after 14 March 1989.
- F19** Words in s. 507(1)(d) substituted (1.9.1992) by Museums and Galleries Act 1992 (c. 44), s. 11(2), **Sch. 8 para. 1(8)**; S.I. 1992/1874, **art. 2**
- F20** S. 507(1)(e) inserted (1.11.1992) by S.I. 1992/2383, **reg. 2(2)**, **Sch. para.11**
- F21** Repealed by 1989 ss.60(1) and 187 and Sch.17 Part IV in relation to accounting periods ending on or after 14 March 1989.

Modifications etc. (not altering text)

- C6** See 1989 s.59—these bodies treated as established for charitable purposes for purposes of s.59 (covenanted subscriptions). 1990 s.25—donations to charity by individuals.

Marginal Citations

- M15** Source—1980 s.118(1); 1983 s.46(1)
- M16** Source—1970 s.363(a), (b)

508 Scientific research organisations.

- (1)^{M17} Where—
- (a) an Association which has as its object the undertaking of scientific research which may lead to or facilitate an extension of any class or classes of trade is approved for the purposes of this section by the Secretary of State; and
 - (b) the memorandum of association or other similar instrument regulating the functions of the Association precludes the direct or indirect payment or transfer to any of its members of any of its income or property by way of dividend, gift, division, bonus or otherwise howsoever by way of profit;

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there shall, on a claim in that behalf to the Board, be allowed in the case of the Association such exemption from tax as falls to be allowed under section 505 in the case of a charity the whole income of which is applied to charitable purposes.

- (2) The condition specified in paragraph (b) of subsection (1) above shall not be deemed not to be complied with in the case of any Association by reason only that the memorandum or other similar instrument regulating its functions does not prevent the payment to its members of reasonable remuneration for goods, labour or power supplied, or for services rendered, of reasonable interest for money lent, or of reasonable rent for any premises.
- (3) In this section “scientific research” means any activities in the fields of natural or applied science for the extension of knowledge.

Marginal Citations

M17 Source—1970 s.362

[^{F22}508A Investment trusts investing in housing.

- (1) Where any company that is an investment trust has eligible rental income for any accounting period—
- (a) the rate of corporation tax chargeable for any financial year on the trust’s housing investment profits for that period shall be deemed to be the small companies’ rate for that year; and
 - (b) its housing investment profits for that period shall be treated for the purposes of section 13 as excluded from its basic profits for that period.
- (2) For the purposes of this section—
- (a) a company’s eligible rental income for any period is so much of its income for that period as consists in rents or other receipts deriving from lettings by the company of eligible properties; and
 - (b) its housing investment profits for any period are so much of its profits for that period as represents the amount chargeable to tax under Schedule A in respect of its eligible rental income for that period.
- (3) In computing the amount mentioned in subsection (2)(b) above for any period, deductions shall be made which (except in so far as they exceed the amount from which they are deducted) are, in aggregate, not less than the sum of the following amounts—
- (a) every amount which is both—
 - (i) deductible (otherwise than as a debit brought into account under Chapter II of Part IV of the Finance Act 1996) in the computation of any income of the company, or of its total profits, for that period, and
 - (ii) referable to, or to activities connected with, the letting by the company on assured tenancies of dwelling-houses that are eligible properties when so let,
- and
- (b) any amount that is so referable that would represent a non-trading deficit on the company’s loan relationships for that period.
- (4) For the purposes of subsection (3) above any question—

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- (a) whether for any period there is an amount referable to any matter that would represent a non-trading deficit on a company's loan relationships, or
- (b) as to what that amount is for that period,

shall be determined by computing whether and to what extent there would for that period have been a non-trading deficit on the company's loan relationships if debits and credits fell to be brought into account under Chapter II of Part IV of the Finance Act 1996 to the extent only that they are referable to that matter.]

Textual Amendments

F22 Ss. 508A, 508B inserted (with effect in accordance with [Sch. 30 para. 3](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 30 para. 1](#)

[^{F22}508B Interpretation of section 508A.

- (1) In section 508A “eligible property”, in relation to a company, means (subject to the following provisions of this section) any dwelling-house as respects which the following conditions are satisfied—
 - (a) the company first acquired an interest in the dwelling-house on or after 1st April 1996;
 - (b) that interest was not, at the time when it was acquired, subject to any letting or to any statutory tenancy;
 - (c) at that time no arrangements had been made by the company or any person connected with it for the letting of the dwelling-house;
 - (d) the interest of the company in the dwelling-house is a freehold interest or an interest under a long lease at a low rent;
 - (e) the consideration given by the company for the acquisition of its interest in the dwelling-house did not exceed—
 - (i) £125,000, in the case of a dwelling-house in Greater London, or
 - (ii) £85,000, in any other case;
 - (f) the dwelling-house is let by the company under an assured tenancy and is neither—
 - (i) let by the company in consideration of a premium within the meaning of Schedule 8 to the 1992 Act, nor
 - (ii) a dwelling-house in respect of which the person to whom it is let or any associate of his has been granted any option to purchase.
- (2) For the purposes of paragraph (b) of subsection (1) above, no account shall be taken of any shorthold tenancy or statutory shorthold tenancy to which the interest became subject before the time when it was acquired.
- (3) For the purposes of paragraph (c) of subsection (1) above, no account shall be taken of any arrangements made by a person connected with the company in question before the time when the interest was acquired by the company if—
 - (a) that person had an interest in the dwelling-house when he made those arrangements;
 - (b) that person did not dispose of his interest at any time after the arrangements were entered into and before the company acquired its interest; and

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- (c) the arrangements were such as to confer a relevant entitlement on a person who, at the time when the company acquired its interest, was a tenant under any shorthold tenancy of the dwelling-house (or any part of it).
- (4) For the purposes of subsection (3)(c) above a relevant entitlement is an entitlement of a tenant under a shorthold tenancy of any premises, on the coming to an end of that tenancy, to such a further tenancy of the same or substantially the same premises as will itself be a shorthold tenancy.
- (5) For the purposes of this section the consideration given by a company for the acquisition of an interest in a dwelling-house shall be taken (subject to subsection (6) below) to include—
- (a) any amount expended by the company on the construction or renovation of the dwelling-house or on any conversion by virtue of which that dwelling-house came to be usable as such;
 - (b) any amount so expended by a person connected with the company; and
 - (c) any consideration given by a person connected with the company for the acquisition of any such interest in the dwelling-house as—
 - (i) is subsequently acquired by the company, or
 - (ii) is held by such a person at the same time as the company holds its interest in the premises.
- (6) Where a company has acquired any interest in a dwelling house from a person connected with that company—
- (a) amounts expended by that person as mentioned in paragraph (a) of subsection (5) above, and
 - (b) the amount of any consideration given by that person for an interest in the dwelling-house,
- shall be treated by virtue of that subsection as included in the consideration given by the company to the extent only that the aggregate of those amounts exceeds the consideration given by that company to that person for the interest acquired from that person by the company.
- (7) In section 508A and this section—
- “associate” has the meaning given by subsections (3) and (4) of section 417;
- “assured tenancy” means—
- (a) any letting which is an assured tenancy for the purposes of the ^{M18}Housing Act 1988 or the ^{M19}Housing (Scotland) Act 1988, or
 - (b) any tenancy in Northern Ireland which complies with such requirements or conditions as may be prescribed by regulations made by the Department of the Environment for Northern Ireland;
- “letting” includes a letting by virtue of an agreement for a lease or under a licence, and “let” shall be construed accordingly;
- “long lease”, in relation to the interest of a company in any dwelling-house, means a lease for a term of years certain of which at least 21 years remains unexpired at the time when that interest was acquired by the company;
- “low rent” means a rent at an annual rate not exceeding—
- (a) £1,000, in the case of a dwelling-house in Greater London; and
 - (b) £250, in any other case;
- “rent” has the same meaning as it has for the purposes of Schedule A in its application to companies within the charge to corporation tax;

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“shorthold tenancy” means any letting which is an assured shorthold tenancy for the purposes of the ^{M20}Housing Act 1988 or a short assured tenancy for the purposes of the ^{M21}Housing (Scotland) Act 1988;

“statutory shorthold tenancy” means—

- (a) a statutory periodic tenancy within the meaning of the Housing Act 1988 which arose on the coming to an end of an assured shorthold tenancy which was a fixed term tenancy, or
- (b) a statutory assured tenancy within the meaning of the Housing (Scotland) Act 1988 which arose on the coming to an end of a short assured tenancy;

“statutory tenancy”—

- (a) in relation to England and Wales, has the same meaning as in the ^{M22}Rent Act 1977;
- (b) in relation to Scotland, has the same meaning as in the ^{M23}Rent (Scotland) Act 1984; and
- (c) in relation to Northern Ireland, has the same meaning as in the ^{M24}Rent (Northern Ireland) Order 1978.

(8) Section 839 shall apply for the purposes of this section.

(9) Section 508A shall have effect where—

- (a) a company acquires an interest in any dwelling-house, and
- (b) a person connected with the company has previously acquired an interest in the dwelling-house, being an interest subsequently acquired by the company or one held by that person at the same time as the company holds its interest, as if references in this section (except in subsection (3) above) to the time when the company first acquired an interest in the premises included references to the time when the person connected with the company first acquired his interest.

(10) The Treasury may, if they think fit, by order vary the figures for the time being specified in paragraph (e) of subsection (1) above; and an order under this subsection may make different provision for different localities in Greater London or elsewhere.

(11) In the application of this section to Scotland—

- (a) references to acquiring an interest shall be construed, if there is a contract to acquire the interest, as references to entering into that contract;
- (b) references to the freehold interest shall be construed as references to the estate or interest of the proprietor of the *dominium utile* or, in the case of property other than feudal property, of the owner;
- (c) in the definition of “long lease” in subsection (7) above, the word “certain” shall be omitted.

(12) Regulations made for the purposes of paragraph (b) of the definition of “assured tenancy” in subsection (7) above shall be made by statutory rule for the purposes of the ^{M25}Statutory Rules (Northern Ireland) Order 1979, and shall be subject to negative resolution within the meaning of section 41(6) of the ^{M26}Interpretation Act (Northern Ireland) 1954.]

Textual Amendments

F22 Ss. 508A, 508B inserted (with effect in accordance with [Sch. 30 para. 3](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 30 para. 1](#)

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Marginal Citations

- M18** 1988 c. 50.
- M19** 1988 c. 43.
- M20** 1988 c. 50.
- M21** 1988 c. 43.
- M22** 1977 c. 42.
- M23** 1984 c. 58.
- M24** S.I. 1978/1050 (N.I. 20).
- M25** S.I. 1979/1573 (N.I. 12).
- M26** 1954 c. 33 (N.I.).

509 Reserves of marketing boards and certain other statutory bodies.

- (1)^{M27} Where a body established by or under any enactment and having as its object, or one of its objects, the marketing of an agricultural product or the stabilising of the price of an agricultural product is required, by or under any scheme or arrangements approved by or made with a Minister of the Crown or government department, to pay the whole or part of any surplus derived from its trading operations or other trade receipts into a reserve fund satisfying the conditions specified in subsection (2) below, then, in computing for the purposes of tax the profits or gains or losses of the body's trade—
- (a) there shall be allowed as deductions any sums so required to be paid by the body into the reserve fund out of the profits or gains of the trade, and
 - (b) there shall be taken into account as trading receipts any sums withdrawn by the body from the fund, except so far as they are so required to be paid to a Minister or government department, or are distributed to producers of the product in question or refunded to persons paying any levy or duty.
- (2) The conditions to be satisfied by the reserve fund are as follows—
- (a) that no sum may be withdrawn from the fund without the authority or consent of a Minister of the Crown or government department; and
 - (b) that where money has been paid to the body by a Minister of the Crown or government department in connection with arrangements for maintaining guaranteed prices, or in connection with the body's trading operations, and is repayable to that Minister or department, sums afterwards standing to the credit of the fund are required as mentioned in subsection (1) above to be applied in whole or in part in repaying the money; and
 - (c) that the fund is reviewed by a Minister of the Crown at intervals fixed by or under the scheme or arrangements in question, and any amount by which it appears to the Minister to exceed the reasonable requirements of the body is withdrawn therefrom.
- (3) In this section references to a Minister of the Crown or government department include references to a Head of a Department or a Department in Northern Ireland, and references to producers of a product include references to producers of one type or quality of a product from another.

Modifications etc. (not altering text)

- C7** S. 509(1) extended (with modifications) (27.7.1993) by 1993 c. 37, s. 12, **Sch. 2 Pt. I para. 23**

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Marginal Citations

M27 Source—1970 s.348; 1971 s.28(1)

510 Agricultural societies.

- (1) ^{M28} Profits or gains arising to an agricultural society from any exhibition or show held for the purposes of the society shall be exempt from tax if applied solely to the purposes of the society.
- (2) In this section “agricultural society” means any society or institution established for the purpose of promoting the interests of agriculture, horticulture, livestock breeding or forestry.

Marginal Citations

M28 Source—1970 s.361

[^{F23} **510A European economic interest groupings.**

- (1) ^{M29} In this section “grouping” means a European Economic Interest Grouping formed in pursuance of Council Regulation (EEC) No. 2137/85 of 25th July 1985, whether registered in Great Britain, in Northern Ireland, or elsewhere.
- (2) Subject to the following provisions of this section, for the purposes of charging tax in respect of income and gains a grouping shall be regarded as acting as the agent of its members.
- (3) In accordance with subsection (2) above—
 - (a) for the purposes mentioned in that subsection the activities of the grouping shall be regarded as those of its members acting jointly and each member shall be regarded as having a share of its property, rights and liabilities; and
 - (b) for the purposes of charging tax in respect of gains a person shall be regarded as acquiring or disposing of a share of the assets of the grouping not only where there is an acquisition or disposal of assets by the grouping while he is a member of it, but also where he becomes or ceases to be a member of a grouping or there is a change in his share of the property of the grouping.
- (4) Subject to subsection (5) below, for the purposes of this section a member’s share of any property, rights or liabilities of a grouping shall be determined in accordance with the contract under which the grouping is established.
- (5) Where the contract does not make provision as to the shares of members in the property, rights or liabilities in question a member’s share shall be determined by reference to the share of the profits of the grouping to which he is entitled under the contract (and if the contract makes no provision as to that, the members shall be regarded as having equal shares).
- (6) ^{F24} . . . Where any trade or profession is carried on by a grouping it shall be regarded for the purposes of charging tax in respect of income and gains as carried on in partnership by the members of the grouping.
- (7) ^{F25}

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(8) ^{F25}.....]

Textual Amendments

- F23** S. 510A inserted (retrospective to 1.7.1989) by [Finance Act 1990 \(c. 29\)](#), [Sch. 11 paras. 1, 5](#)
- F24** Words in [s. 510A\(6\)](#) repealed (with effect in accordance with Sch. 29 Pt. 8(16) Note 3 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(16\)](#)
- F25** [S. 510A\(7\)\(8\)](#) repealed (with effect in accordance with Sch. 29 Pt. 8(16) Note 3 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(16\)](#)

Marginal Citations

- M29** Source—O.J. No. L199/1.

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

- (1) ^{M30}For the purposes of the Corporation Tax Acts, the Electricity Council shall be treated as carrying on a trade, and those Acts shall have effect as if the trade carried on by the Central Electricity Authority at any time before 1st January 1958 had been the trade of the Electricity Council.
- (2) For the purposes of the Corporation Tax Acts—
 - (a) any trade carried on by a Board shall be treated as if it were part of the trade carried on by the Electricity Council;
 - (b) subject to paragraph (c) below, any property, rights or liabilities of a Board shall be treated as property, rights or liabilities of the Electricity Council, and anything done by or to a Board shall be deemed to have been done by or to the Electricity Council;
 - (c) any rights, liabilities or things done —
 - (i) of, by or to the Electricity Council against, to or by a Board, or
 - (ii) of, by or to a Board against, to or by the Electricity Council or any other Board,
 shall be left out of account;
 and corporation tax shall be charged accordingly.
- (3) For the purposes of the operation of the Corporation Tax Acts in accordance with subsections (1) and (2) above, the Electricity Council shall be deemed to have been in existence as from 1st April 1948, and anything done by, to or in relation to the Central Electricity Authority shall be treated as if it had been done by, to or in relation to the Electricity Council.

^{F26}(4).....

^{F26}(5).....

- (6) ^{M31}In subsections (1) and (2) above “Board” means—
 - (a) any Area Board established by or under the provisions of the ^{M32}Electricity Act 1947; and
 - (b) in relation to any time on or after 1st January 1958, the Central Electricity Generating Board.

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- (7) ^{M33}The Corporation Tax Acts shall apply in relation to the trade of the Gas Council as if before the beginning of April 1962 it had consisted of the trades of the Area Boards (within the meaning of the ^{M34}Gas Act 1948), and (without prejudice to the generality of the foregoing) allowances and balancing charges shall be made to or on the Gas Council accordingly by reference to the capital expenditure of Area Boards and to the allowances made to Area Boards in respect of that expenditure.

Textual Amendments

F26 S. 511(4)(5) repealed (1.4.1992) by S.I. 1992/231 (N.I. 1), art. 95(4), Sch.14; S.R. 1992/117, art. 3(1)

Modifications etc. (not altering text)

C8 See ss.89 and 90 and Sch.11 Electricity Act 1989 in connection with electricity industry privatisation; and see s.112 and Sch.18 Electricity Act 1989 for changes to s.511 from a day to be appointed.

Marginal Citations

M30 Source—1970 s.349(1)-(3)

M31 Source—1970 s.349(4)

M32 1947 c. 54.

M33 Source—1970 s.350(3)

M34 1948 c. 67.

512 Atomic Energy Authority and National Radiological Protection Board.

- (1) ^{M35}The United Kingdom Atomic Energy Authority and the National Radiological Protection Board shall be entitled to exemption from income tax and corporation tax—
- under [^{F27}Schedule A];
 - under Schedule D in respect of any yearly interest or other annual payment [^{F28}or in respect of public revenue dividends] received by the Authority or Board;
 - under Schedule F in respect of distributions received by the Authority or Board.
- (2) Income arising from investments or deposits held for the purposes of any pension scheme provided and maintained by the Authority shall be treated for the purposes of this section as if that income and the source thereof belonged to the Authority.
- [^{F29}(3) In subsection (1) above “public revenue dividends” means—
- income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland;
 - income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.]

Textual Amendments

F27 Words in s. 512(1)(a) substituted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), Sch. 7 para. 20(1)(a)

F28 Words in s. 512(1)(b) inserted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), Sch. 7 para. 20(1)(b)

F29 S. 512(3) inserted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), Sch. 7 para. 20(2)

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Marginal Citations

M35 Source—1970 s.351

513 British Airways Board and National Freight Corporation.

- (1) ^{M36}Subject to subsection (2) below, the successor company in which the property, rights, liabilities and obligations of the British Airways Board are vested by the ^{M37}Civil Aviation Act 1980 shall be treated for all purposes of corporation tax as if it were the same person as the British Airways Board; and the successor company to which the undertaking of the National Freight Corporation is transferred by the ^{M38}Transport Act 1980 shall be treated for those purposes as if it were the same person as the National Freight Corporation.
- (2) ^{M39}The transfer by the Civil Aviation Act 1980 from the British Airways Board to the successor company of liability for any loan made to the Board shall not affect any direction in respect of the loan which has been given by the Treasury under section 581.
- (3) A successor company shall not by virtue of subsection (1) above be regarded as a body falling within section [^{F30}170(12) of the 1992 Act].

Textual Amendments

F30 Words in s. 513(3) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290(1), **Sch. 10 para. 14(32)** (with ss. 60, 101(1), 171(1), 201(3))

Marginal Citations

M36 Source—1973 s.36(1)

M37 1980 c.60.

M38 1980 c.34.

M39 Source—1980 s.119(1)-(3)

514 Funds for reducing the National Debt.

^{M40}Where any property is held upon trust in accordance with directions which are valid and effective under section 9 of the Superannuation and other ^{M41}Trust Funds (Validation) Act 1927 (which provides for the validation of trust funds for the reduction of the national debt), any income arising from that property or from any accumulation of any such income, and any profits of any description otherwise accruing to the property and liable to be accumulated under the trust, shall be exempt from income tax.

Marginal Citations

M40 Source—1970 s.364

M41 1927 c. 41.

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515 Signatories to Operating Agreement for INMARSAT.

- (1)^{M42} An overseas signatory to the Operating Agreement made pursuant to the Convention on the International Maritime Satellite Organisation which came into force on 16th July 1979 shall be exempt from income tax and corporation tax in respect of any payment received by that signatory from the Organisation in accordance with that Agreement.
- (2) In this section “an overseas signatory” means a signatory other than one designated for the purposes of the Agreement by the United Kingdom in accordance with the Convention.

Marginal Citations

M42 Source—1980 s.63

516 Government securities held by non-resident central banks.

- (1)^{M43} Tax shall not be chargeable on [^{F31}income from securities which is payable out of the public revenue of the United Kingdom and which is] income of any bank or issue department of a bank to which this subsection for the time being applies.
- (2) Subsection (1) above shall not prevent any [^{F32}such income] being taken into account in computing profits or gains or losses of a business carried on in the United Kingdom.
- (3) A bank or issue department of a bank to which this subsection for the time being applies shall be exempt from tax in respect of chargeable gains accruing to it.
- (4) Her Majesty may by Order in Council direct that subsection (1) or (3), or both, shall apply to any bank, or to its issue department, if it appears to Her Majesty that the bank is not resident in the United Kingdom and is entrusted by the government of a territory outside the United Kingdom with the custody of the principal foreign exchange reserves of that territory.
- (5) No recommendation shall be made to Her Majesty in Council to make an order under this section unless a draft of the order has been laid before the House of Commons and has been approved by resolution of that House.

Textual Amendments

F31 Words in s. 516(1) substituted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), Sch. 7 para. 21(1)

F32 Words in s. 516(2) substituted (with effect in accordance with Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), Sch. 7 para. 21(2)

Modifications etc. (not altering text)

C9 For Orders in Council see Part III Vol.5.

Marginal Citations

M43 Source—1970 s.370

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

^{M44}There shall be exempt from tax any profits or income arising or accruing to the issue department of the Reserve Bank of India constituted under an Act of the Indian legislature called the Reserve Bank of India Act 1934, or to the issue department of the State Bank of Pakistan constituted under certain orders made under section 9 of the ^{M45}Indian Independence Act 1947.

Marginal Citations

M44 Source—1970 s.371

M45 1947 c. 30.

518 Harbour reorganisation schemes.

- (1) ^{M46}This section has effect where the trade of any body corporate other than a limited liability company is transferred to a harbour authority by or under a certified harbour reorganisation scheme which provides also for the dissolution of the transferor.
- (2) For the purposes of the Corporation Tax Acts, the trade shall not be treated as permanently discontinued, nor shall a new trade be treated as set up and commenced.
- (3) The transferee shall be entitled to relief from corporation tax under section 393(1), as for a loss sustained by it in carrying on the transferred trade or any trade of which it comes to form part, for any amount which, if the transferor had continued to carry it on, would have been available to the transferor for carry-forward against chargeable profits of succeeding accounting periods, but subject to any claim made by the transferor under section [^{F33}393A(1)].
- (4) There shall be made to or on the transferee in accordance with the provisions of the Capital Allowances Acts all such allowances and charges as would, if the transferor had continued to carry on the trade, have fallen to be made to or on it under those Acts and the amount of any such allowance or charge shall be computed as if the transferee had been carrying on the trade since the transferor had begun to do so and as if everything done to or by the transferor had been done to or by the transferee.
- (5) No sale or transfer which on the transfer of the trade is made by the transferor to the transferee of any assets in use for the purposes of the trade shall be treated as giving rise to any such allowance or charge as is mentioned in subsection (4) above.
- ^{F34}(6)
- (7) The transferee shall be entitled to relief from corporation tax in respect of chargeable gains for any amount for which the transferor would have been entitled to claim relief in respect of allowable losses if it had continued to carry on the trade.
- (8) ^{M47}Where part only of such trade is transferred to a harbour authority by or under a certified harbour organisation scheme, and the transferor continues to carry on the remainder of the trade, or any such trade is, by or under a certified harbour reorganisation scheme which provides also for the dissolution of the transferor, transferred in parts to two or more harbour authorities, this section shall apply as if the transferred part, or each of the transferred parts, had at all times been a separate trade.
- (9) Where a part of any trade is to be treated by virtue of subsection (8) above as having been a separate trade over any period there shall be made any necessary adjustments

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of accounting periods, and such apportionments as may be just of receipts, expenses, allowances or charges.

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

(10)^{M48} In this section—

“harbour authority” has the same meaning as in the^{M49} Harbours Act 1964;

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

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

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

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

Textual Amendments

F33 Words in s. 518(3) substituted by Finance Act 1991 (c. 31, SIF 63:1), s. 73(3)(4)(5), Sch. 15 para. 19(1)

F34 S. 518(6) repealed by Finance Act 1991 (c. 31, SIF 63:1), ss. 73(3)(4)(5), 123, Sch. 15 para. 19(2), Sch. 19 Pt. V, Note 4

Marginal Citations

M46 Source—1970 s.352(1)-(6); 1971 Sch.8 16; 1986 s.56(7)(a), Sch.13 2(5)(a)

M47 Source—1970 s.352(8), (9)

M48 Source—1970 s.352(11)

M49 1964 c. 40.

519 Local authorities.

(1)^{M50} A local authority in the United Kingdom—

- (a) shall be exempt from all charge to income tax in respect of its income;
- (b) shall be exempt from corporation tax;

and so far as the exemption from income tax conferred by this subsection calls for repayment of tax, effect shall be given thereto by means of a claim.

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

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

- (a) of which all the constituent members are local authorities, groups of local authorities or local authority associations, and

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

^{F35}(4)

Textual Amendments

F35 Subs.(4) *repealed by* 1990 s.127 and Sch.18 para.5(2) and 132 and Sch.19 Part IV on and after 1 April 1990.

Modifications etc. (not altering text)

C10 S. 519 extended (12.1.2000) by [Greater London Authority Act 1999 \(c. 29\)](#), **ss. 419(1)(2)(a)**, 425(2) (with s. 157(4)); [S.I. 1999/3434](#), **art. 2**

C11 Definition applied for purposes of—1979(C) s.149B(3)—*miscellaneous exemptions*. 1988 s.832(1)—*interpretation of Tax Acts*.

Marginal Citations

M50 Source—1970 s.353(1), (4)

^{F36}519A Health service bodies.

- (1) A health service body—
- (a) shall be exempt from income tax in respect of its income, and
 - (b) shall be exempt from corporation tax,
- and, so far as the exemption from income tax conferred by this subsection calls for repayment of tax, effect shall be given thereto by means of a claim.
- (2) In this section “health service body” means—
- ^{F37}(a) a Health Authority established under section 8 of the National Health Service Act 1977;
 - (aa) a Special Health Authority established under section 11 of that Act;]
 - (b) a National Health Service trust established under Part I of the National Health Service and Community Care Act 1990;
 - (c) ^{F38}
 - (d) a Health Board or Special Health Board, the Common Services Agency for the Scottish Health Service and a National Health Service trust respectively constituted under sections 2, 10 and 12A of the National Health Service (Scotland) Act 1978;
 - (e) a State Hospital Management Committee constituted under section 91 of the Mental Health (Scotland) Act 1984;
 - (f) the Dental Practice Board;
 - (g) the Scottish Dental Practice Board; ^{F39} . . .
 - (h) the Public Health Laboratory Service Board.
 - ^{F40}(i) [a Health and Social Services Board and the Northern Ireland Central Services Agency for the Health and Social Services established under Articles 16 and 26 respectively of the Health and Personal Social Services (Northern Ireland) Order 1972;

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- (j) a special health and social services agency established under the Health and Personal Social Services (Special Agencies) (Northern Ireland) Order 1990; and
- (k) a Health and Social Services trust established under the Health and Personal Social Services (Northern Ireland) Order 1991.]]

Textual Amendments

- F36** S. 519A inserted (17.9.1990) by National Health Service and Community Care Act 1990 (c. 19), **ss. 61(1), 67(2)**; S.I. 1990/1329, art. 2(5)(a), **Sch. 2**
- F37** S. 519A(2)(a)(aa) substituted for s. 519A(2)(a) (1.4.1996) by Health Authorities Act 1995 (c. 17), s. 2(3), **Sch. 1 para. 114(a)** (with Sch. 2)
- F38** S. 519A(2)(c) repealed (1.4.1996) by Health Authorities Act 1995 (c. 17), s. 2(3), Sch. 1 para. 114(b), **Sch. 3** (with Sch. 2)
- F39** Word in s. 519A(2)(g) repealed by S.I. 1991/195, **art. 6**
- F40** S. 519A(2)(i) (j) (k) added by S.I. 1991/195, **art. 6**

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