



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER VI

MISCELLANEOUS BUSINESSES AND BODIES

**[^{F2}503 Letting of furnished holiday accommodation treated as a trade for certain
^{F1}corporation tax] purposes.**

- (1) For the purposes [^{F3}of Chapter 2 of Part 10 (loss relief for corporation tax)]—
- (a) a Schedule A business which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation ^{F4}. . . shall be treated as if it were a trade the profits of which are chargeable to [^{F5}corporation] tax under Case I of Schedule D, and
 - (b) all such lettings made by a [^{F6}particular company or partnership] shall be treated as one trade.

The “commercial letting of furnished holiday accommodation” is defined below in section 504.

- (2) ^{F7}.....
- (3) ^{F7}.....
- (4) 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 are just and reasonable.
- (5) Relief shall not be given for the same loss, or the same portion of a loss, both under a provision of [^{F8}Chapter 2 of Part 10] as applied by this section and under any other provision of the [^{F9}Corporation] Tax Acts.]

Status: Point in time view as at 19/07/2006.

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Textual Amendments

- F1** Words in s. 503 sidenote 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. 195(5)** (with Sch. 2)
- F2** S. 503 substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), **Sch. 5 para. 42** (with Sch. 5 para. 73)
- F3** Words in s. 503(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(2)(a)** (with Sch. 2)
- F4** Words in s. 503(1)(a) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), Sch. 1 para. 195(2)(b), **Sch. 3** (with Sch. 2)
- F5** Word in s. 503(1)(a) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(2)(c)** (with Sch. 2)
- F6** Words in s. 503(1)(b) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(2)(d)** (with Sch. 2)
- F7** S. 503(2)(3) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), Sch. 1 para. 195(3), **Sch. 3** (with Sch. 2)
- F8** Words in s. 503(5) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 195(4)(a)** (with Sch. 2)
- F9** Word in s. 503(5) 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. 195(4)(b)** (with Sch. 2)

Modifications etc. (not altering text)

- C1** S. 503 applied (with effect in accordance with s. 579 of the affecting Act) by [Capital Allowances Act 2001 \(c. 2\)](#), s. 249(2) (with Sch. 3 paras. 54, 55)
- C2** S. 503 applied (with effect in accordance with Sch. 29 Pt. 14 of the affecting Act) by [Finance Act 2002 \(c. 23\)](#), **Sch. 29 para. 32(4)**

504 Supplementary provisions.

- (1)^{M1} 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.
- (4)^{F10}
- (5) Any question whether accommodation let by a company is at any time in an accounting period holiday accommodation shall be determined—

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- (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 ^{F11} . . . accounting period, a [^{F12}company] lets furnished accommodation which is treated as holiday accommodation for the purposes of this section in that ^{F13} . . . period (“the qualifying accommodation”), [^{F14}the company] may make a claim under this subsection, within [^{F15}the time specified in subsection (6A) below], for averaging treatment to apply for that ^{F13} . . . period to that and any other accommodation specified in the claim which was let by [^{F16}the company] as furnished accommodation during that ^{F13} . . . period and would fall to be treated as holiday accommodation in that ^{F13} . . . period if subsection (3)(b) above were satisfied in relation to it.
- [^{F17}(6A) The time mentioned in subsection (6) [^{F18}above is 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 ^{F19} . . . accounting period, any such other accommodation shall be treated as being holiday accommodation in that ^{F20} . . . 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 ^{F20} . . . period amounts on average to at least 70.
- (8) Qualifying accommodation may not be specified in more than one claim in respect of any one ^{F21} . . . accounting period.
- (9) For the purposes of this section [^{F22}a company] lets accommodation if [^{F23}it] permits another person to occupy it, whether or not in pursuance of a lease; and “letting” and “tenant” shall be construed accordingly.

Textual Amendments

- F10** S. 504(4) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 196\(2\), Sch. 3](#) (with [Sch. 2](#))
- F11** Words in s. 504(6) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 196\(3\)\(a\), Sch. 3](#) (with [Sch. 2](#))
- F12** Word in s. 504(6) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 196\(3\)\(b\)](#) (with [Sch. 2](#))
- F13** Words in s. 504(6) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 196\(3\)\(c\), Sch. 3](#) (with [Sch. 2](#))
- F14** Words in s. 504(6) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 196\(3\)\(d\)](#) (with [Sch. 2](#))
- F15** 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\(2\)](#)

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- F16** Words in s. 504(6) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 196(3)(e)* (with Sch. 2)
- F17** 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)*
- F18** Words in s. 504(6A) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 196(4)* (with Sch. 2)
- F19** Words in s. 504(7) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 196(5)(a), Sch. 3* (with Sch. 2)
- F20** Words in s. 504(7) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 196(5)(b), Sch. 3* (with Sch. 2)
- F21** Words in s. 504(8) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 196(6), Sch. 3* (with Sch. 2)
- F22** Words in s. 504(9) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 196(7)(a)* (with Sch. 2)
- F23** Word in s. 504(9) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 196(7)(b)* (with Sch. 2)

Modifications etc. (not altering text)

- C3** 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

- M1** Source—1984 s.50(2)-(9)

[^{F24}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

F24 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) ^{M2}Subject to subsections (2) and (3) below, the following exemptions shall be granted on a claim in that behalf to the Board—
- ^{F25}(a) exemption from tax under Schedules A and D [^{F26}, or under Parts 2 and 3 of ITTOIA 2005,] 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;]
 - ^{F27}(b)
 - (c) exemption—
 - (i) ^{F28}
 - ^{F29}(ii) from tax under Case III of Schedule D [^{F30}or under Chapter 2, 7, 8 or 10 of Part 4 of ITTOIA 2005 (interest, purchased life annuity payments, profits from deeply discounted securities and distributions from unauthorised unit trusts), section 579 of that Act so far as it relates to annual payments (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act so far as it relates to annual payments (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged)],
 - (iia) from tax under Case ^{F31} . . . 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,
 - ^{F32}(iiaa) from tax under Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies) or from tax under Chapter 8 of Part 5 of that Act (income not otherwise charged) so far as it applies to relevant foreign distributions,]

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- (iib) from tax under Case V of Schedule D in respect of [^{F33}such dividends as would, in the case of income tax, be chargeable to tax under Chapter 4 of Part 4 of ITTOIA 2005 or such distributions (other than dividends) as would, in the case of income tax, be chargeable to tax under Chapter 8 of Part 5 of that Act so far as it would apply to what would be a relevant foreign distribution,]
- [^{F34}(iic) from tax under Case VI of Schedule D in respect of non-trading gains on intangible fixed assets under Schedule 29 to the Finance Act 2002, and]
- (iii) from tax under [^{F35}Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)] 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;
- [^{F36}(d) exemption from tax under Schedule D [^{F37}or Chapter 2 of Part 4 of ITTOIA 2005 (interest)] 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 [^{F38}or Part 2 of ITTOIA 2005 (trading income)] in respect of the profits of any trade carried on by a charity [^{F39}(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;
 - [^{F40}(f) exemption from tax under Schedule D [^{F41}or Part 2 or 5 of ITTOIA 2005 (trading and miscellaneous income)] 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 ^{M3}Lotteries and Amusements Act 1976 or Article 133 or 135 of the ^{M4}Betting, Gaming, Lotteries and Amusements (Northern Ireland) Order 1985; and
 - (ii) the profits are applied solely to the charity’s purposes.]
- [^{F42}(1AA) In subsection (1)(c)(iiaa) and (iib) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
 - (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part of that Act if the company were resident in the United Kingdom.]
- [^{F43}(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.]
- [^{F44}(1B) For the purpose of subsection (1)(e)—

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- (a) where a trade is exercised partly in the course of the actual carrying out of a primary purpose of the charity and partly otherwise, each part shall be treated as a separate trade (for which purpose reasonable apportionment of expenses and receipts shall be made), and
 - (b) where the work in connection with the trade is carried out partly but not mainly by beneficiaries, the part in connection with which work is carried on by beneficiaries and the other part shall be treated as separate trades (for which purpose reasonable apportionment of expenses and receipts shall be made).]
- (2) ^{M5} 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 [^{F45}income tax under Chapter 7 of Part 5 of ITTOIA 2005 (annual payments not otherwise charged) so far as it does not apply to relevant foreign income and shall be chargeable to corporation] 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.
- [^{F46}(3) In subsections (4) to (7)—
- (a) “charitable expenditure” has the meaning given by section 506,
 - (b) “relief” means relief or exemption under—
 - (i) subsection (1) above,
 - (ii) section 56(3)(c) above,
 - (iii) section 761(6) below,
 - (iv) section 256 of the 1992 Act (charities), or
 - (v) section 46 of the Finance Act 2000 (small trades),
 - (c) “relievable income and gains” means income and gains which would be eligible for relief or exemption under any of those provisions (disregarding subsections (4) to (6)), and
 - (d) “total income and gains” means the aggregate of—
 - (i) relievable income and gains,
 - (ii) income and gains, other than relievable income and gains, chargeable to tax, and
 - (iii) donations, legacies and other similar receipts that are not chargeable to tax.
- (4) If a charity incurs (or is treated as incurring) non-charitable expenditure in a chargeable period, relief shall be disallowed in respect of such amount of relievable income and gains as equals the amount of the non-charitable expenditure.
- (5) If in a chargeable period a charity's non-charitable expenditure exceeds its total income and gains the excess shall be treated as non-charitable expenditure of the previous period for the purposes of subsection (4); and any necessary adjustments shall be made, whether by making assessments or otherwise.
- (6) Subsection (5) may apply to a chargeable period wholly or partly as a result of the application of that subsection in respect of a later period; but no excess of non-charitable expenditure shall be treated as non-charitable expenditure of a chargeable

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period which ended more than six years before the end of the period in which the expenditure was actually incurred.

- (7) Where an amount of a charity's relievable income and gains is disallowed for relief by subsection (4) (whether or not as a result of the application of subsection (5))—
- (a) the charity may by notice to the Board specify which items of income or gains are to be disallowed, but
 - (b) if the Board requires the charity to give a notice under paragraph (a) and the charity fails to comply within the period of 30 days beginning with the date on which the requirement is imposed, the Board shall determine which items to disallow.]

Textual Amendments

- F25** 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)
- F26** Words in s. 505(1)(a) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 198(2)(a) (with Sch. 2)
- F27** Repealed by 1988(F) s.148 and Sch. 14 Part V from 6 April 1988.
- F28** 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)
- F29** 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)
- F30** Words in s. 505(1)(c)(ii) 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. 198(2)(b) (with Sch. 2)
- F31** Words in s. 505(1)(c)(iia) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 198(2)(c), Sch. 3 (with Sch. 2)
- F32** S. 505(1)(c)(iiaa) 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. 198(2)(d) (with Sch. 2)
- F33** Words in s. 505(1)(c)(iib) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 198(2)(e) (with Sch. 2)
- F34** S. 505(1)(c)(iic) inserted (24.7.2002) by Finance Act 2002 (c. 23), Sch. 30 para. 3
- F35** Words in s. 505(1)(c)(iii) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 198(2)(f) (with Sch. 2)
- F36** 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)
- F37** Words in s. 505(1)(d) 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. 198(2)(g) (with Sch. 2)
- F38** Words in s. 505(1)(e) 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. 198(2)(h) (with Sch. 2)
- F39** 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)
- F40** 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)
- F41** Words in s. 505(1)(f) 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. 198(2)(i) (with Sch. 2)
- F42** S. 505(1AA) 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. 198(3) (with Sch. 2)

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- F43** 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)
- F44** S. 505(1B) inserted (with effect in accordance with s. 56(2) of the amending Act) by Finance Act 2006 (c. 25), **s. 56(1)**
- F45** Words in s. 505(2) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 198(4)** (with Sch. 2)
- F46** S. 505(3)-(7) substituted for s. 505(3)-(8) (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), **s. 55(1)**

Modifications etc. (not altering text)

- C4** S. 505 modified (3.5.1994) by Finance Act 1994 (c. 9), **s. 171**

Marginal Citations

- M2** Source—1970 s.360(1)
- M3** 1976 c. 32.
- M4** S.I. 1985/1204 (N.I.11).
- M5** Source—1986 s.30(1)

506 [^{F47}**Charitable and non-charitable expenditure**]

- (1) ^{M6}In this section, section 505 and Schedule 20—
“charity” means any body of persons or trust established for charitable purposes only;
[^{F48}“charitable expenditure” means (subject to subsections (3) to (5) below) expenditure which is exclusively for charitable purposes.]
- (2) ^{M7}For the purposes of section 505 ^{F49}. . . , 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 [^{F50}charitable 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) ^{M8}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;
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 [^{F51}non-charitable 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

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account in determining the amount which, by virtue of subsection (4) above, is treated as [^{F52}non-charitable expenditure] incurred in that period.

(6) ^{F53}

Textual Amendments

- F47** S. 506(3) heading substituted (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(2)(g)
- F48** S. 506(1): definition of "charitable expenditure" substituted for definitions of "qualifying expenditure" and "non-qualifying expenditure" (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(2)(a)
- F49** Words in s. 506(2) repealed (with effect in accordance with s. 55(5) of the repealing Act) by Finance Act 2006 (c. 25), s. 55(2)(b), Sch. 26 Pt. 3(5)
- F50** Words in s. 506(3) substituted (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(2)(c)
- F51** Words in s. 506(4) substituted (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(2)(d)
- F52** Words in s. 506(5) substituted (with effect in accordance with s. 55(5) of the amending Act) by Finance Act 2006 (c. 25), s. 55(2)(e)
- F53** S. 506(6) repealed (with effect in accordance with s. 55(5) of the repealing Act) by Finance Act 2006 (c. 25), s. 55(2)(f), Sch. 26 Pt. 3(5)

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

- M6** Source—1970 s.360(3); 1986 s.31(1)(a), (c), Sch.7 1(1)
- M7** Source—1986 Sch.7 1(2), (3)
- M8** Source—1986 s.31(4)-(6)

[^{F54}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 relieviable 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 relieviable 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

F54 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)

[^{F54}506B] 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
 - (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.

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- (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

F54 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)

[^{F54}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),
 - (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.

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- (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

F54 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)

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

- (1)^{M9} 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;
 - [^{F55}(c) the Trustees of the British Museum;
 - (d) the Trustees of the [^{F56}Natural History Museum];]
 - [^{F57}(e) ^{F58}]
 - [^{F59}(f) the National Endowment for Science, Technology and the Arts;]

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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.

^{F60}(2)

Textual Amendments

- F55** 1989 s.60(1) *in relation to accounting periods ending on or after 14 March 1989.*
- F56** 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**
- F57** S. 507(1)(e) inserted (1.11.1992) by S.I. 1992/2383, reg. 2(2), **Sch. para.11**
- F58** S. 507(1)(e) omitted (19.4.1999) by virtue of The United Kingdom Ecolabelling Board (Abolition) Regulations 1999 (S.I 1999/931), regs. 1, 9
- F59** S. 507(1)(f) inserted (2.7.1998) by **National Lottery Act 1998 (c. 22), s. 24(1), 27(4)(b)**
- F60** *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

- M9** Source—1980 s.118(1); 1983 s.46(1)

508 Scientific research organisations.

(1) ^{M10}Where—

- [^{F61}(a) an Association has as its object the undertaking of research and development which may lead to or facilitate an extension of any class or classes of trade; 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;

there shall, on a claim in that behalf to the Board [^{F62}in relation to any accounting period, be allowed in the case of the Association for that accounting period] 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.

[^{F63}(1A) The Treasury may by regulations prescribe circumstances in which the conditions in subsection (1) above shall be deemed not to be complied with.

(1B) The Treasury may by regulations make provision specifying for the purposes of paragraph (a) of that subsection—

- (a) what shall be deemed to be, or not to be, an Association,
- (b) circumstances in which an Association shall be deemed to have, or not to have, the undertaking of research and development as its object,
- (c) circumstances in which the undertaking of research and development shall be deemed to be, or not to be, capable of leading to or facilitating an extension of a class of trade, or
- (d) what shall be deemed to be, or not to be, a class of trade.]

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(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.

[^{F64}(3) Section 837A (meaning of “research and development”) applies for the purposes of subsection (1)(a) above.

(4) Regulations under subsection (3) of that section (power to prescribe activities which are, or are not, research and development) may make provision for the purposes of that section as it applies by virtue of subsection (3) of this section which is additional to, or different from, the provision made otherwise for the purposes of that section.]

Textual Amendments

F61 S. 508(1)(a) substituted (with effect in accordance with s. 13(6) of the amending Act) by Finance (No. 2) Act 2005 (c. 22), s. 13(2)

F62 Words in s. 508(1) substituted (with effect in accordance with s. 13(6) of the amending Act) by Finance (No. 2) Act 2005 (c. 22), s. 13(3)

F63 S. 508(1A)(1B) inserted (with effect in accordance with s. 13(6) of the amending Act) by Finance (No. 2) Act 2005 (c. 22), s. 13(4)

F64 S. 508(3)(4) substituted for s. 508(3) (with effect in accordance with s. 13(6) of the amending Act) by Finance (No. 2) Act 2005 (c. 22), s. 13(5)

Marginal Citations

M10 Source—1970 s.362

[^{F65}**508A Investment trusts investing in housing.**

^{F66}

Textual Amendments

F65 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

F66 Ss. 508A, 508B repealed (with effect in accordance with s. 145(2) of the repealing Act) by Finance Act 2006 (c. 25), s. 143(a), Sch. 26 Pt. 4

508B Interpretation of section 508A.

^{F67}

Textual Amendments

F65 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

F67 Ss. 508A, 508B repealed (with effect in accordance with s. 145(2) of the repealing Act) by Finance Act 2006 (c. 25), s. 143(a), Sch. 26 Pt. 4

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509 Reserves of marketing boards and certain other statutory bodies.

- (1)^{M11} 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 [^{F68}profits] 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 [^{F68}profits] 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.

Textual Amendments

F68 Words in s. 509(1) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 1](#)

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](#)

Marginal Citations

M11 Source—1970 s.348; 1971 s.28(1)

510 Agricultural societies.

- (1)^{M12} 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.

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- (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

M12 Source—1970 s.361

[^{F69}510A European economic interest groupings.

- (1) ^{M13}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 [^{F70}chargeable 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 [^{F71};
- but paragraph (a) above is subject to subsection (6A) below.]
- (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) ^{F72}. . . 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.

[Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships) shall have effect in ^{F73}(6A) relation to a grouping as it has effect in relation to a partnership (see in particular section 87A of, and paragraphs 19 and 20 of Schedule 9 to, that Act).]

- (7) ^{F74}
- (8) ^{F74}]

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Textual Amendments

- F69** S. 510A inserted (retrospective to 1.7.1989) by [Finance Act 1990 \(c. 29\)](#), [Sch. 11 paras. 1, 5](#)
- F70** Words in s. 510A(3)(b) substituted (with effect in accordance with s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 25 para. 49\(2\)](#)
- F71** Words in s. 510A(3) inserted (with effect in accordance with s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 25 para. 49\(3\)](#)
- F72** 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\(16\)](#)
- F73** S. 510A(6A) inserted (with effect in accordance with s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 25 para. 49\(4\)](#)
- F74** 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

- M13** Source—O.J. No. L199/1.

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

- (1) ^{F75}
- (2) ^{F75}
- (3) ^{F75}
- ^{F76}(4)
- ^{F76}(5)
- (6) ^{F75}
- (7) ^{M14}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 ^{M15}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

- F75** S. 511(1)-(3)(6) repealed (9.11.2001) by [Electricity Act 1989 \(c. 29\)](#), s. 113(2), [Sch. 18](#); S.I. 2001/3419, [art. 2](#)
- F76** 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

- M14** Source—1970 s.350(3)
- M15** 1948 c. 67.

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512 Atomic Energy Authority and National Radiological Protection Board.

F77

Textual Amendments

F77 S. 512 repealed (with effect in accordance with s. 46(4)(c)-(e) of the repealing Act) by Finance (No. 2) Act 2005 (c. 22), s. 46(2)(c)(d), **Sch. 11 Pt. 2(12)**, Note (with s. 46(7)); and s. 512(2) repealed (6.4.2006) by Finance Act 2004 (c. 12), **Sch. 42 Pt. 3**, Note (with Sch. 36)

513 British Airways Board and National Freight Corporation.

- (1) ^{M16}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 ^{M17}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 ^{M18}Transport Act 1980 shall be treated for those purposes as if it were the same person as the National Freight Corporation.
- (2) ^{M19}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 [^{F78}170(12) of the 1992 Act].

Textual Amendments

F78 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

M16 Source—1973 s.36(1)
M17 1980 c.60.
M18 1980 c.34.
M19 Source—1980 s.119(1)-(3)

514 Funds for reducing the National Debt.

F79

Textual Amendments

F79 S. 514 repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 200, **Sch. 3** (with Sch. 2)

Status: Point in time view as at 19/07/2006.

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515 Signatories to Operating Agreement for INMARSAT.

- (1) ^{M20}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

M20 Source—1980 s.63

516 Government securities held by non-resident central banks.

- (1) ^{M21}Tax shall not be chargeable on [^{F80}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 [^{F81}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

F80 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)

F81 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

M21 Source—1970 s.370

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

^{M22}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 ^{M23}Indian Independence Act 1947.

Marginal Citations

M22 Source—1970 s.371

M23 1947 c. 30.

518 Harbour reorganisation schemes.

- (1) ^{M24}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 [^{F82}393A(1)].
- (4) There shall be made to or on the transferee in accordance with [^{F83}the Capital Allowances Act (including enactments which under this Act are to be treated as contained in that Act)] 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.
- ^{F84}(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) ^{M25}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.

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- (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 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)^{M26}In this section—

“harbour authority” has the same meaning as in the^{M27}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

F82 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)

F83 Words in s. 518(4) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 43

F84 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

M24 Source—1970 s.352(1)-(6); 1971 Sch.8 16; 1986 s.56(7)(a), Sch.13 2(5)(a)

M25 Source—1970 s.352(8), (9)

M26 Source—1970 s.352(11)

M27 1964 c. 40.

519 Local authorities.

- (1)^{M28}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.

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- (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
 - (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.

^{F85}(4)

Textual Amendments

F85 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

M28 Source—1970 s.353(1), (4)

[^{F86}**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—
- [^{F87}(a) a [^{F88}Strategic Health Authority or 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;]
 - [^{F89}(ab) a Primary Care Trust;]
 - [^{F90}(aba) a Local Health Board;]
 - (b) a National Health Service trust established under Part I of the National Health Service and Community Care Act 1990;
 - [^{F91}(bb) an NHS foundation trust]
 - (c) ^{F92}
 - (d) a Health Board or Special Health Board, the Common Services Agency for the Scottish Health Service and a National Health Service trust respectively

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- constituted under sections 2, 10 and 12A of the National Health Service (Scotland) Act 1978;
- (e) ^{F93}
- (f) ^{F94}
- (g) the Scottish Dental Practice Board; ^{F95} . . .
- (h) ^{F96}
- [^{F97}(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;
- (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.]
- [^{F98}(3) The Treasury may by order disapply subsection (1)(b) in relation to a specified activity, (3) or class of activity, of an NHS foundation trust.
- (4) An order under subsection (3) shall make provision for determining the amount of the profits relating to an activity that are to be charged to corporation tax as a result of the disapplication of subsection (1)(b).
- (5) An order under subsection (3) may, in particular—
- (a) make provision for disregarding profits of less than a specified amount in respect of a financial year or accounting period or a specified part of a financial year or accounting period;
- (b) make provision for disregarding a specified part of profits in respect of a financial year or accounting period or a specified part of a financial year or accounting period;
- (c) make provision for disregarding all or part of profits relating to activity in respect of which receipts or turnover (as defined by the order) are less than a specified amount in respect of a financial year or accounting period or a specified part of a financial year or accounting period.
- (6) An order under subsection (3)—
- (a) may apply, with or without modification, a provision of the Tax Acts,
- (b) may disapply a provision of the Tax Acts,
- (c) may make provision similar to a provision of the Tax Acts, and
- (d) may make provision generally or in relation to a specified body or class of bodies.
- (7) The Treasury may make an order under subsection (3) only—
- (a) in relation to an activity or class of activity that appears to the Treasury to be of a commercial nature,
- (b) where it appears to the Treasury to be expedient for the purpose of avoiding, removing or reducing differences between—
- (i) the fiscal treatment of the body undertaking the activity, and
- (ii) the fiscal treatment of another body or class of body which is of a commercial nature and which undertakes or might undertake the same or a similar activity, and

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- (c) if a draft has been laid before, and approved by resolution of, the House of Commons.
- (8) An activity authorised under section 14(1) of the Health and Social Care (Community Health and Standards) Act 2003 shall not be treated as an activity of a commercial nature for the purposes of subsection (7)(a).]]

Textual Amendments

- F86** 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**
- F87** 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)
- F88** Words in s. 519A(2)(a) inserted (1.10.2002) by The National Health Service Reform and Health Care Professions Act 2002 (Supplementary, Consequential etc. Provisions) Regulations 2002 (S.I. 2002/2469), reg. 1, **Sch. 1 para. 14**
- F89** S. 519A(2)(ab) inserted (1.4.2000 for E.W. and 11.5.2001 otherwise) by Health Act 1999 (c. 8), s. 67(1), **Sch. 4 para. 73**; S.I. 1999/2342, **art. 2(4)(b)(i)**; S.I. 2001/1985, **art. 2(4)**
- F90** S. 519A(2)(aba) inserted (10.10.2002 for W., otherwise prosp.) by National Health Service Reform and Health Care Professions Act 2002 (c. 17), s. 42(3), **Sch. 5 para. 27**; S.I. 2005/2352, art. 2, **Sch.**
- F91** S. 519A(2)(bb) inserted (1.4.2004) by Health and Social Care (Community Health and Standards) Act 2003 (c. 43), **ss. 33(1)**, 199(1); S.I. 2004/759, **art. 2**
- F92** 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)
- F93** S. 519A(2)(e) repealed (S.) (27.9.2005) by The Mental Health (Care and Treatment) (Scotland) Act 2003 (Modification of Enactments) Order 2005 (S.S.I. 2005/465), art. 1, **Sch. 2**; and s. 519A(2)(e) repealed (E.W.N.I.) (5.10.2005) by The Mental Health (Care and Treatment) (Scotland) Act 2003 (Consequential Provisions) Order 2005 (S.I. 2005/2078), art. 1(1), **Sch. 3**
- F94** S. 519A(2)(f) repealed (1.4.2006) by Health and Social Care (Community Health and Standards) Act 2003 (c. 43), s. 199(1), **Sch. 14 Pt. 4**; S.I. 2005/2925, **art. 11**
- F95** Word in s. 519A(2)(g) repealed by S.I. 1991/195, **art. 6**
- F96** S. 519A(2)(h) repealed (1.4.2005) by Health and Social Care (Community Health and Standards) Act 2003 (c. 43), **ss. 190(2)**, 199(1), Sch. 13 para. 5, **Sch. 14 Pt. 7**; S.I. 2005/457, **art. 2(1)(a)(b)**
- F97** S. 519A(2)(i) (j) (k) added by S.I. 1991/195, **art. 6**
- F98** S. 519A(3)-(8) added (22.7.2004) by Finance Act 2004 (c. 12), **s. 148**

Status:

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