

Status: Point in time view as at 01/09/1992. This version of this schedule contains provisions that are not valid for this point in time.

Changes to legislation: Income and Corporation Taxes Act 1988, SCHEDULE 20 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 20

Section 506.

CHARITIES: QUALIFYING INVESTMENTS AND LOANS ^{M1}

Marginal Citations

M1 Source—1986 c. 60 Sch. 7 Pts. II—IV.

PART I

QUALIFYING INVESTMENTS

- 1 Investments specified in any of the following paragraphs of this Part of this Schedule are qualifying investments for the purposes of section 506.
- 2 Any investment falling within Part I, Part II, apart from paragraph 13 (mortgages etc.) or Part III of Schedule 1 to the ^{M2}Trustee Investments Act 1961.

Marginal Citations

M2 1961 c. 62.

- 3 Any investment in a common investment fund established under section 22 of the ^{M3}Charities Act 1960 or section 25 of the ^{M4}Charities Act (Northern Ireland) 1964 or in any similar fund established for the exclusive benefit of charities by or under any enactment relating to any particular charities or class of charities.

Marginal Citations

M3 1960 c. 58.

M4 1964 c. 33 (N.I.).

- [^{F1}3A Any investment in a common deposit fund established under section 22A of the Charities Act 1960 or in any similar fund established for the exclusive benefit of charities by or under any enactment relating to any particular charities or class of charities.]

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Textual Amendments

F1 Sch. 20 para. 3A inserted (1.9.1992) by Charities Act 1992 (c. 41), s. 78(1), Sch. 6 para. 17; S.I. 1992/1900, art. 2(1), Sch. 1

- 4 Any interest in land, other than an interest held as security for a debt of any description.
- 5 Shares in, or securities of, a company which are quoted on a recognised stock exchange, or which are dealt in on the Unlisted Securities Market.
- 6 Units, or other shares of the investments subject to the trusts, of a unit trust scheme within the meaning of the ^{M5}Financial Services Act 1986.

Marginal Citations

M5 1986 c. 60.

VALID FROM 28/04/1997

- 6A Shares in an open-ended investment company.

- 7 (1) Deposits with an institution authorised under the ^{M6}Banking Act 1987 in respect of which interest is payable at a commercial rate.
- (2) A deposit mentioned in sub-paragraph (1) above is not a qualifying investment if it is made as part of an arrangement under which a loan is made by the authorised institution to some other person.

Marginal Citations

M6 1987 c. 22.

VALID FROM 06/04/2005

- 7A Uncertificated eligible debt security units as defined in section 552(2) of ITTOIA 2005.

- 8 Certificates of deposit as defined in section 56(5).

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- 9 (1) Any loan or other investment as to which the Board are satisfied, on a claim made to them in that behalf, that the loan or other investment is made for the benefit of the charity and not for the avoidance of tax (whether by the charity or any other person).
- (2) The reference in sub-paragraph (1) above to a loan includes a loan which is secured by a mortgage or charge of any kind over land.

PART II

QUALIFYING LOANS

- 10 For the purposes of section 506, a loan which is not made by way of investment is a qualifying loan if it consists of—
- (a) a loan made to another charity for charitable purposes only; or
 - (b) a loan to a beneficiary of the charity which is made in the course of carrying out the purposes of the charity; or
 - (c) money placed on current account with an institution authorised under the Banking Act 1987 otherwise than as part of such an arrangement as is mentioned in paragraph 7(2) above; or
 - (d) any other loan as to which the Board are satisfied, on a claim made to them in that behalf, that the loan is made for the benefit of the charity and not for the avoidance of tax (whether by the charity or by some other person).

PART III

ATTRIBUTION OF EXCESS NON-QUALIFYING EXPENDITURE TO EARLIER CHARGEABLE PERIODS

- 11 This Part of this Schedule applies in the circumstances specified in subsection (6) of section 506 and in this Part—
- (a) “the primary period” means the chargeable period of the charity concerned in which there is such an excess as is mentioned in that subsection;
 - (b) “unapplied non-qualifying expenditure” means so much of the excess referred to in that subsection as does not exceed the non-qualifying expenditure of the primary period; and
 - (c) “earlier period”, in relation to an amount of unapplied non-qualifying expenditure, means any chargeable period of the charity concerned which ended not more than six years before the end of the primary period.
- 12 (1) So much of the unapplied non-qualifying expenditure as is not shown by the charity to be the expenditure of non-taxable sums received by the charity in the primary period shall be treated in accordance with paragraph 13 below as non-qualifying expenditure of earlier periods.
- (2) In sub-paragraph (1) above “non-taxable sums” means donations, legacies and other sums of a similar nature which, apart from section 505(1) of this Act and section [F²256 of the 1992] Act, are not within the charge to tax.

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Textual Amendments

- F2** Words in [Sch. 20 para. 12\(2\)](#) 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](#), [Sch. 10 para. 14\(59\)](#) (with [ss. 60, 101\(1\), 171, 201\(3\)](#))
- 13 (1) Where, in accordance with paragraph 12 above, an amount of unapplied non-qualifying expenditure (“the excess expenditure”) falls to be treated as non-qualifying expenditure of earlier periods—
- (a) it shall be attributed only to those earlier periods (if any) which, apart from the attribution, (but taking account of any previous operation of this paragraph) the relevant income and gains exceed the aggregate of the qualifying and non-qualifying expenditure incurred in that period; and
 - (b) the amount to be attributed to any such earlier period shall not be greater than the excess of that period referred to in paragraph (a) above.
- (2) Where there is more than one earlier period to which the excess expenditure can be attributed in accordance with sub-paragraph (1) above, it shall be attributed to later periods in priority to earlier periods.
- (3) In so far as any of the excess expenditure cannot be attributed to earlier periods in accordance with this paragraph, it shall be disregarded for the purposes of section 506(6) (and this Part of this Schedule).
- 14 All such adjustments shall be made, whether by way of the making of assessments or otherwise, as may be required in consequence of the provisions of this Part of this Schedule.

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