



Corporation Tax Act 2010

2010 CHAPTER 4

PART 11

CHARITABLE COMPANIES ETC

CHAPTER 3

OTHER EXEMPTIONS

Exemptions

478 Exemption for profits etc of charitable trades

- (1) The income mentioned in subsection (2) is not taken into account in calculating total profits if the condition in subsection (3) is met.
- (2) The income referred to in subsection (1) is—
 - (a) profits of a charitable trade carried on by a charitable company, and
 - (b) post-cessation receipts arising from a charitable trade carried on by a charitable company which are received by the company or to which it is entitled.
- (3) The condition is that the profits are, or (as the case may be) the post-cessation receipt is, applied to the purposes of the charitable company only.
- (4) In this section “post-cessation receipt” means an amount that is a post-cessation receipt for the purposes of Part 3 of CTA 2009 (see sections 190 to 195 of that Act).
- (5) The exemption under subsection (1) requires a claim.

Status: Point in time view as at 17/07/2012.

Changes to legislation: Corporation Tax Act 2010, Cross Heading: Exemptions is up to date with all changes known to be in force on or before 29 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)

479 Meaning of “charitable trade”

- (1) For the purposes of this Part a trade carried on by a charitable company is a charitable trade if—
 - (a) the trade is exercised in the course of carrying out a primary purpose of the charitable company, or
 - (b) the work in connection with the trade is mainly carried out by beneficiaries of the charitable company.
- (2) For the purposes of subsection (1)(a), if a trade is exercised partly in the course of carrying out a primary purpose of the charitable company and partly otherwise, each part is to be treated as a separate trade.
- (3) For the purposes of subsection (1)(b), if work in connection with a trade is carried out partly but not mainly by beneficiaries, the part in connection with which work is carried out by beneficiaries and the other part are to be treated as separate trades.
- (4) If different parts of a trade are treated as separate trades under subsection (2) or (3), a just and reasonable apportionment is to be made for that purpose of—
 - (a) expenses and receipts of the trade, and
 - (b) any amounts which are post-cessation receipts arising from the trade for the purposes of Part 3 of CTA 2009.

480 Exemption for profits of small-scale trades

- (1) The income mentioned in subsection (2) is not taken into account in calculating total profits if conditions A and B are met.
- (2) The income referred to in subsection (1) is—
 - (a) the profits of a trade carried on by a charitable company, and
 - (b) post-cessation receipts arising from a trade carried on by a charitable company which are received by the company or to which it is entitled.
- (3) Subsection (1) does not apply in respect of—
 - (a) profits of a trade that are, apart from this section, exempt from corporation tax chargeable under Part 3 of CTA 2009, or
 - (b) post-cessation receipts that are, apart from this section, exempt from corporation tax chargeable under Chapter 15 of Part 3 of CTA 2009.
- (4) Condition A is—
 - (a) in the case of the profits of a trade, that the profits are profits of an accounting period in relation to which the condition specified in section 482 (condition as to trading and miscellaneous incoming resources) is met, and
 - (b) in the case of a post-cessation receipt, that it is received in such an accounting period.
- (5) Condition B is that the profits are, or (as the case may be) the receipt is, applied to the purposes of the charitable company only.
- (6) The exemption under subsection (1) requires a claim.
- (7) In this section “post-cessation receipt” means an amount that is a post-cessation receipt for the purposes of Part 3 of CTA 2009 (see sections 190 to 195 of that Act).

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481 Exemption from charges under provisions to which section 1173 applies

- (1) Any income or gains of a charitable company that is or are chargeable to corporation tax under or by virtue of any provision to which section 1173 applies is not or are not taken into account in calculating total profits if conditions A and B are met.
- (2) Subsection (1) does not apply in respect of any income or gains that is or are chargeable to corporation tax by virtue of any of—
 - (a) section 818(1) (gains from transactions in land),
 - (b) section 1086(2) (chargeable payments connected with exempt distributions), and
 - (c) any other enactment specified in an order made by the Treasury.
- (3) Subsection (1) does not apply in respect of any income that is, or gains that are, apart from this section, exempt from corporation tax chargeable under or by virtue of any provision to which section 1173 applies.
- (4) Condition A is that the income is, or the gains are, for an accounting period in relation to which the condition specified in section 482 (condition as to trading and miscellaneous incoming resources) is met.
- (5) Condition B is that the income is, or the gains are, applied to the purposes of the charitable company only.
- (6) The exemption under subsection (1) requires a claim.

482 Condition as to trading and miscellaneous incoming resources

- (1) The condition in this section is met in relation to an accounting period if—
 - (a) the sum of the charitable company's trading incoming resources and miscellaneous incoming resources for the accounting period does not exceed the requisite limit for the period, or
 - (b) the charitable company had, at the beginning of the period, a reasonable expectation that it would not do so.
- (2) The charitable company's "trading incoming resources" for the accounting period are—
 - (a) the incoming resources which are required to be taken into account in calculating the profits of, or losses made in, the period for any non-exempt trade carried on by the company, and
 - (b) the incoming resources which are post-cessation receipts arising from such a trade.

"Post-cessation receipt" has the meaning given by section 480(7).
- (3) For the purposes of subsection (2) a trade is a "non-exempt trade" if any profits of the trade would not, apart from section 480, be exempt from corporation tax chargeable under Part 3 of CTA 2009.
- (4) The charitable company's "miscellaneous incoming resources" for the accounting period are the incoming resources which are required to be taken into account in calculating non-exempt miscellaneous income or non-exempt miscellaneous losses for the period.
- (5) In subsection (4)—

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“non-exempt miscellaneous income” means income or gains chargeable to corporation tax under or by virtue of any provision to which section 1173 applies that is not, or are not, apart from section 480 or 481, exempt from corporation tax chargeable under or by virtue of that provision, and

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

- (6) The requisite limit—
- (a) is 25% of the charitable company's total incoming resources for the accounting period, but
 - (b) must not be less than £5,000 or more than £50,000.
- (7) If the accounting period is shorter than 12 months, the amounts of £5,000 and £50,000 mentioned in subsection (6)(b) are proportionately reduced.

483 Exemption for profits from fund-raising events

- (1) The profits of a trade carried on by a charitable company are not taken into account in calculating total profits so far as they—
 - (a) arise from an event that is VAT-exempt in relation to the company, and
 - (b) are applied to charitable purposes or transferred to a charity.
- (2) The profits of a trade carried on by a body to which subsection (3) applies are not taken into account in calculating total profits so far as they—
 - (a) arise from an event that is VAT-exempt in relation to the body, and
 - (b) are applied to charitable purposes or transferred to a charity.
- (3) This subsection applies to any voluntary organisation that is a qualifying body for the purposes of Group 12 of Schedule 9 to the Value Added Tax Act 1994 (fund-raising events by charities and other qualifying bodies).
- (4) The exemptions under this section require a claim.
- (5) For the purposes of this section an event is VAT-exempt in relation to a person if the supply of goods and services by that person in connection with the event would be exempt from value added tax under Group 12 of Schedule 9 to the Value Added Tax Act 1994.

484 Exemption for profits from lotteries

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

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- (3) Condition B is that the profits are applied to the purposes of the charitable company only.
- (4) The exemption under subsection (1) requires a claim.

485 Exemption for property income etc

- (1) Income which is chargeable to corporation tax under Part 3 of CTA 2009 (trading income) as a result of section 287 of that Act is not taken into account in calculating total profits so far as—
 - (a) it arises in respect of rents or other receipts from an estate, interest or right in or over land, and
 - (b) the estate, interest or right is vested in any person for charitable purposes.
- (2) Income which is chargeable to corporation tax under Part 4 of CTA 2009 (property income) is not taken into account in calculating total profits so far as—
 - (a) it arises in respect of an estate, interest or right in or over land, and
 - (b) the estate, interest or right is vested in any person for charitable purposes.
- (3) Distributions to which section 548 (Real Estate Investment Trusts: distributions) applies and which are chargeable to corporation tax under Part 4 of CTA 2009 are not taken into account in calculating total profits so far as they arise in respect of shares vested in any person for charitable purposes.
- (4) Subsections (1) to (3) apply so far as the income is applied to charitable purposes only.
- (5) The exemptions under this section require a claim.

486 Exemption for investment income and non-trading profits from loan relationships

- (1) The income mentioned in subsection (2) is not taken into account in calculating total profits if—
 - (a) it is income of a charitable company, or
 - (b) it is required, under an Act (including an Act of the Scottish Parliament), court judgment, charter, trust deed or will, to be applied to charitable purposes only.
- (2) The income referred to in subsection (1) is—
 - (a) profits which are charged to tax under section 299 of CTA 2009 (non-trading profits from loan relationships),
 - (b) a dividend or other distribution of a company, and
 - (c) income treated for the purposes of Chapter 5 of Part 10 of CTA 2009 (distributions from unauthorised unit trusts) as received by a unit holder from a scheme to which section 972 of that Act applies (unauthorised unit trust schemes).
- (3) Subsection (1) applies, in relation to the income mentioned in subsection (2)(b), only so far as the income falls within, and is dealt with under, Part 9A of CTA 2009 (see section 931W of that Act as to provisions given priority over Part 9A).
- (4) Subsection (1) applies, in relation to the income mentioned in subsection (2)(c), only so far as the income falls within, and is dealt with under, Part 10 of CTA 2009 (see section 982 of that Act as to provisions given priority over Part 10).

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- (5) Subsection (1) applies so far as the income is applied to charitable purposes only.
- (6) The exemption under subsection (1) requires a claim.

487 Exemption for public revenue dividends

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

488 Exemption for certain miscellaneous income

- (1) The income mentioned in subsection (3) is not taken into account in calculating total profits if—
 - (a) it is income of a charitable company, or
 - (b) it is required, under an Act (including an Act of the Scottish Parliament), court judgment, charter, trust deed or will, to be applied to charitable purposes only.
- (2) Subsection (1) applies so far as the income is applied to charitable purposes only.
- (3) The income referred to in subsection (1) is—
 - (a) non-trading gains on intangible fixed assets,
 - (b) annual payments charged to tax under Chapter 7 of Part 10 of CTA 2009, and
 - (c) qualifying income from intangible fixed assets.
- (4) The exemption under subsection (1) requires a claim.
- (5) In this section—
 - “intangible fixed asset” has the same meaning as in Part 8 of CTA 2009 (see section 713 of that Act),
 - “non-trading credit” has the meaning given by section 301 of CTA 2009,
 - “non-trading gain” has the meaning given by section 751 of CTA 2009,
 - “pre-FA 2002 asset” has the meaning given by sections 881 and 892 to 895 of CTA 2009, and
 - “qualifying income from intangible fixed assets” means income which—
 - (a) is in respect of intangible fixed assets which are pre-FA 2002 assets,
 - (b) is of a kind which, if the intangible fixed assets were not pre-FA 2002 assets, would fall to be brought into account under Chapter 6 of Part 8 of CTA 2009 as non-trading credits, and
 - (c) does not fall within subsection (3)(a) or (b).

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489 Exemption for income from estates in administration

- (1) If a charitable company is liable for any corporation tax charged under section 934 of CTA 2009 (charge to tax on estate income), the estate income is not taken into account in calculating total profits.
- (2) Subsection (1) applies so far as the estate income is applied to the purposes of the charitable company only.
- (3) The exemption under subsection (1) requires a claim.
- (4) In this section “estate income” has the same meaning as in Chapter 3 of Part 10 of CTA 2009 (see section 934 of that Act).

Status:

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