

SCHEDULES

SCHEDULE 3

Section 20.

TAX

The exempt period

- 1 (1) The exempt period for the purposes of this Schedule shall begin with a day appointed by the Secretary of State by order made by statutory instrument.
- (2) If—
- (a) an order is made under section 18(5) as a result of which section 18(1)(b) ceases to have effect, and
 - (b) the Crown ceases on any day to hold any special share provided for under the Corporation's articles of association,
- the exempt period for the purposes of this Schedule shall end with that day.

Exemption from tax

- 2 (1) The Corporation shall not be chargeable to corporation tax on profits arising during the exempt period.
- (2) The Corporation shall not have a liability to tax by virtue of section 747(4)(a) of the Income and Corporation Taxes Act 1988 (controlled foreign companies) in respect of profits arising during the exempt period.

Residence for tax purposes

- 3 (1) Sub-paragraph (2) shall apply if—
- (a) the exempt period ends, and
 - (b) at that time the Corporation would be regarded for the purposes of the Taxes Acts as resident in the United Kingdom by virtue only of section 66 of the Finance Act 1988 (company incorporated in UK).
- (2) That section shall not apply in relation to the Corporation at any time during the period beginning with the end of the exempt period and ending in accordance with sub-paragraph (3).
- (3) The period shall end—
- (a) with the seventh anniversary of the final day of the exempt period, or
 - (b) if earlier, at any time when the Corporation comes to be regarded for the purposes of the Taxes Acts as resident in the United Kingdom (otherwise than by virtue of section 66).
- (4) The following provisions shall not apply where the Corporation ceases to be resident in the United Kingdom by virtue of sub-paragraph (2)—

Status: This is the original version (as it was originally enacted).

- (a) section 179 of the Taxation of Chargeable Gains Act 1992 (company ceasing to be member of group);
- (b) section 185 of that Act (deemed disposal of assets when company ceases to be resident in UK).

(5) In this paragraph “the Taxes Acts” has the same meaning as in the Taxes Management Act 1970.

Groups of companies, &c.

- 4 (1) The Corporation cannot be a member of a group of companies for the purposes of Chapter I of Part VI of the Taxation of Chargeable Gains Act 1992 (groups of companies) at any time during the exempt period.
- (2) Where a company ceases to be a member of a group of companies by virtue of subparagraph (1), section 179 of that Act shall not apply.
- 5 (1) The Corporation cannot be a member of a group of companies for the purposes of Chapter IV of Part X of the Income and Corporation Taxes Act 1988 (group relief) at any time during the exempt period.
- (2) The Corporation cannot be a surrendering company for the purposes of a consortium claim within the meaning of section 402(3) of that Act.

Distributions

- 6 (1) This paragraph applies where the Corporation makes a distribution during the exempt period.
- (2) The following provisions shall not apply in relation to the distribution—
 - (a) section 208 of the Income and Corporation Taxes Act 1988 (exemption from corporation tax);
 - (b) section 231 of that Act (tax credits).
- (3) The distribution shall be treated for the purposes of corporation tax and income tax as income falling within Case V of Schedule D as set out in section 18(3) of that Act.
- (4) The distribution shall be treated as equivalent foreign income for the purposes of section 1A of that Act (rate of tax for income from savings and distributions).
- (5) In this paragraph “distribution” has the same meaning as it has in the Corporation Taxes Acts by virtue of Chapter II of Part VI of the Income and Corporation Taxes Act 1988 (company distributions).