



Income and Corporation Taxes Act 1970

1970 CHAPTER 10

PART XIII

SPECIAL EXEMPTIONS

360 Charities

- (1) The following exemptions shall be granted on a claim in that behalf to the Board—
- (a) exemption from tax under Schedules A and D in respect of the rents and profits of any lands, tenements, hereditaments or heritages belonging to a hospital, public school or almshouse, or vested in trustees for charitable purposes, so far as the same are applied to charitable purposes only,
 - (b) exemption from tax under Schedule B in respect of any lands occupied by a charity,
 - (c) exemption—
 - (i) from tax under Schedule C in respect of any interest, annuities, dividends or shares of annuities,
 - (ii) from tax under Schedule D in respect of any yearly interest or other annual payment, and
 - (iii) from tax under Schedule F in respect of any distribution,where the income in question forms part of the income of a charity, or is, according to rules or regulations established by Act of Parliament, charter, decree, deed of trust or will, applicable to charitable purposes only, and so far as it is applied to charitable purposes only,
 - (d) exemption from tax under Schedule C in respect of any interest, annuities, dividends or shares of annuities which are in the names of trustees and are applicable solely towards the repairs of any cathedral, college, church or chapel, or of any building used solely for the purpose of divine worship, so far as the same are applied to those purposes,
 - (e) exemption from tax under Schedule D in respect of the profits of any trade carried on by a charity, if the profits are applied solely to the purposes of the charity and either—

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- (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.
- (2) A charity shall be exempt from tax chargeable under Case VII of Schedule D on any gain accruing from its acquisition and disposal of any assets, and in respect of tax on chargeable gains shall be allowed exemption in accordance with section 35 of the Finance Act 1965.
- (3) In this section "charity" means any body of persons or trust established for charitable purposes only.

361 Agricultural societies

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

362 Scientific research associations

- (1) Where—
- (a) an Association which has as its object the undertaking of scientific research which may lead to or facilitate an extension of any class or classes of trade is approved for the purposes of this section by the Minister of Technology, 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, be allowed in the case of the Association—
- (i) such exemption from tax as falls to be allowed under section 360 above in the case of a charity the whole income of which is applied to charitable purposes, and
 - (ii) exemption from tax in respect of chargeable gains.
- (2) The condition specified in paragraph (b) of subsection (1) above shall not be deemed not to be complied with in the case of any Association by reason only that the memorandum or other similar instrument regulating its functions does not prevent the payment to its members of reasonable remuneration for goods, labour or power supplied, or for services rendered, of reasonable interest for money lent, or of reasonable rent for any premises.
- (3) In this section "scientific research" means any activities in the fields of natural or applied science for the extension of knowledge.
- (4) For the purposes of subsection (1)(a) above any approval given before the passing of this Act under section 449(1)(a) of the Income Tax Act 1952 (which is reproduced in

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the said subsection (1)(a)) by the Committee of the Privy Council for Scientific and Industrial Research shall be treated as given by the Minister of Technology.

363 British Museum

The Trustees of the British Museum, and the Trustees of the British Museum (Natural History), shall each be entitled, on a claim in that behalf to the Board, to the following exemptions—

- (a) exemption from tax under Schedules A and D in respect of any land, or interest in or right over land, vested in them,
- (b) the like exemptions in respect of any dividends of stock vested in them, or in any other person for their use, and in respect of distributions charged under Schedule F, as are granted to charities under section 360 above, and
- (c) exemption from tax in respect of chargeable gains.

364 Funds for reducing National Debt

Where any property is held upon trust in accordance with directions which are valid and effective under section 9 of the Superannuation and other Trust Funds (Validation) Act 1927 (which provides for the validation of trust funds for the reduction of the national debt), any income arising from that property or from any accumulation of any such income, and any profits of any description otherwise accruing to the property and liable to be accumulated under the trust, shall be exempt from income tax, and a gain shall not be a chargeable gain for the purposes of capital gains tax if accruing on the disposal by the trustees of any settled property held on trusts to which this section applies.

Armed forces and Victoria Cross and other awards

365 Wounds and disability pensions

- (1) Income from wounds and disability pensions to which this subsection applies shall be exempt from income tax and shall not be reckoned in computing income for any of the purposes of the Income Tax Acts.
- (2) Subsection (1) above applies to—
 - (a) wounds pensions granted to members of the naval, military or air forces of the Crown,
 - (b) retired pay of disabled officers granted on account of medical unfitness attributable to or aggravated by naval, military or air-force service,
 - (c) disablement or disability pensions granted to members, other than commissioned officers, of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air-force service,
 - (d) disablement pensions granted to persons who have been employed in the nursing services of any of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air-force service, and
 - (e) injury and disablement pensions payable under any scheme made under the Injuries in War (Compensation) Act 1914, the Injuries in War Compensation

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Act 1914 (Session 2), and the Injuries in War (Compensation) Act 1915, or under any War Risks Compensation Scheme for the Mercantile Marine:

Provided that, where the amount of any retired pay or pension to which subsection (1) above applies is not solely attributable to disablement or disability, the relief conferred by the said subsection (1) shall extend only to such part as is certified by the Secretary of State for Social Services, after consultation with the appropriate Government Department, to be attributable to disablement or disability.

- (3) Allowances granted by the Secretary of State for Social Services under a Royal Warrant, Order in Council or order administered by him to widows of members of the naval, military or air forces of the Crown in respect of their children shall not be reckoned in computing the income of such widows for any of the purposes of the Income Tax Acts.

366 Allowances, bounties and gratuities

- (1) Where, under the scheme relating to men in the Armed Forces of the Crown announced on behalf of His Majesty's Government in the United Kingdom on 15th April 1946, or under any other scheme certified by the Treasury to make analogous provision for classes of persons to whom the first mentioned scheme does not apply, a person who has served in the armed forces of the Crown at any time during the continuance in force of the Emergency Powers (Defence) Act 1939 voluntarily undertakes to serve therein for a further period, any sum payable to him in pursuance of the scheme out of moneys provided by Parliament by way of gratuity at the end of his further period of service shall not be regarded as income for any income tax purposes.
- (2) Where, under the scheme relating to members of the Women's Royal Naval Service, the Auxiliary Territorial Service and the Women's Auxiliary Air Force announced on behalf of His Majesty's Government in the United Kingdom on 20th November 1946, or under any other scheme certified by the Treasury to make analogous provision for classes of persons to whom the first mentioned scheme does not apply, a woman who has served in or with the armed forces of the Crown at any time during the continuance in force of the Emergency Powers (Defence) Act 1939 voluntarily undertakes to serve in or with those forces for a further period, any sum payable to her in pursuance of the scheme out of moneys provided by Parliament by way of gratuity at the end of her further period of service shall not be regarded as income for any income tax purposes.
- (3) Any allowance payable out of the public revenue to or in respect of any class of persons, being either members of the armed forces of the Crown or women serving in any of the capacities mentioned at the end of this subsection, as respects which the Minister for the Civil Service certifies either—
- (a) that it is payable to the persons in question in lieu of food or drink normally supplied in kind to members of the armed forces or women serving in any of the capacities so mentioned, or
 - (b) that it is payable in respect of the persons in question as a contribution to the expenses of a mess,
- shall not be regarded as income for any income tax purposes.

Women's Services

1. Member of Queen Alexandra's Royal Naval Nursing Service or any reserve thereof.
2. Member of the Women's Royal Naval Service or any reserve thereof.

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3. Woman medical or dental practitioner serving in the Royal Navy or any naval reserve.
 4. Member of Queen Alexandra's Royal Army Nursing Corps.
 5. Member of Women's Royal Army Corps.
 6. Woman employed with the Royal Army Medical Corps or the Royal Army Dental Corps with relative rank as an officer.
 7. Member of the Princess Mary's Royal Air Force Nursing Service and Reserve.
 8. Member of the Women's Royal Air Force.
 9. Woman officer of the Medical and Dental Branch of the Royal Air Force.
 10. Member of the Voluntary Aid Detachment Reserves employed under the Admiralty Board of the Defence Council.
- (4) The sums known as training expenses allowances payable out of the public revenue to members (whether men or women) of the reserve and auxiliary forces of the Crown, and the sums payable by way of bounty out of the public revenue to such members in consideration of their undertaking prescribed training and attaining a prescribed standard of efficiency, shall not be treated as income for any income tax purpose.
- (5) Any sum which, in pursuance of the scheme as to service emoluments contained in the Command Paper laid before Parliament in August 1950, becomes payable out of moneys provided by Parliament by way of bounty to a person who, having served in the armed forces of the Crown, voluntarily undertakes to serve for a further period shall not be regarded as income for any income tax purpose.

367 Visiting forces

- (1) The emoluments paid by the government of any designated country to a member of a visiting force of that country who is not a citizen of the United Kingdom and colonies shall be exempt from income tax.
- (2) A period during which a member of a visiting force to whom subsection (1) above applies is in the United Kingdom by reason solely of his being a member of that force shall not be treated for the purposes of income tax or capital gains tax either as a period of residence in the United Kingdom or as creating a change of his residence or domicile:

Provided that this subsection shall not affect the operation of section 27 of this Act (personal reliefs to be granted, subject to certain exceptions, to United Kingdom residents only) in relation to any person for any year of assessment.

- (3) In subsections (1) and (2) above, references to a visiting force shall apply to a civilian component of a visiting force as they apply to the force itself; and the said subsections shall be construed as one with Part I of the Visiting Forces Act 1952, but so that, for the purposes of this section, references to a designated country shall be substituted in that Act for references to a country to which a provision of that Act applies.
- (4) For the purpose of conferring on persons attached to any designated allied headquarters the like benefits as are conferred by the said subsections (1) and (2) on members of a visiting force or civilian component, any members of the armed forces of a designated country shall, while attached to any such headquarters, be deemed to constitute a visiting force of that country, and there shall be a corresponding extension

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of the class of persons who may be treated as members of a civilian component of such a visiting force.

- (5) In the case of persons of any category for the time being agreed between Her Majesty's Government in the United Kingdom and the other members of the North Atlantic Council—
- (a) employment by a designated allied headquarters shall be treated for the purposes of subsection (2) above as if it were service as a member of a visiting force of a designated country, and
 - (b) the emoluments paid by a designated allied headquarters to persons employed by such a headquarters shall be exempt from income tax:

Provided that the exemption conferred by paragraph (b) of this subsection shall cease to apply to citizens of the United Kingdom and colonies if it becomes unnecessary that it should so apply for the purpose of giving effect to any agreement between parties to the North Atlantic Treaty.

- (6) For the purposes of this section—
- " allied headquarters " means any international military headquarters established under the North Atlantic Treaty, and
 - " designated " means designated for the purpose in question by or under any Order in Council made for giving effect to any international agreement.
- (7) Any Order in Council under this section may be varied or revoked by a subsequent Order in Council.

368 Victoria Cross and other awards

The following shall be disregarded for all the purposes of the Income Tax Acts:

- (a) annuities and additional pensions paid to holders of the Victoria Cross,
 - (b) annuities paid to holders of the George Cross,
 - (c) annuities paid to holders of the Albert Medal or of the Edward Medal,
- where paid by virtue of holding the award.

Crown servants

369 Foreign service allowance

Where any allowance to any person in the service of the Crown is certified by the Minister for the Civil Service to represent compensation for the extra cost of having to live outside the United Kingdom in order to perform his duties, that allowance shall not be regarded as income for any income tax purpose.

Central banks

370 Government securities held by non-resident central banks

- (1) Tax shall not be chargeable on dividends (within the meaning of Schedule C) paid out of the public revenue of the United Kingdom where they are income of any bank or issue department of a bank to which this section for the time being applies:

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Provided that this subsection shall not prevent any such dividends being taken into account in computing profits or gains or losses of a business carried on in the United Kingdom.

- (2) A bank or issue department of a bank to which this section for the time being applies shall be exempt from tax in respect of chargeable gains accruing to it:

Provided that subsection (1) above may be applied to a bank or issue department without this subsection, or this subsection without that.

- (3) Her Majesty may by Order in Council direct that this section 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; and Her Majesty may by a further Order in Council revoke or vary any direction so given.
- (4) 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.

371 Issue departments of Reserve Bank of India and State Bank of Pakistan

There shall be exempt from tax any profits or income or chargeable gains 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 Indian Independence Act 1947.

Commonwealth and foreign representatives

372 Commonwealth Agents-General and official agents, etc.

- (1) An Agent-General who is resident in the United Kingdom shall be entitled to the same immunity from income tax and capital gains tax as that to which the head of a mission so resident is entitled under the Diplomatic Privileges Act 1964.
- (2) Any person having or exercising any employment to which this subsection applies (not being a person employed in any trade, business or other undertaking carried on for the purposes of profit) shall be entitled to the same immunity from income tax and capital gains tax as that to which a member of the staff of a mission is entitled under the Diplomatic Privileges Act 1964.

The employments to which this subsection applies are the employment in the United Kingdom as—

- (a) a member of the personal staff of any Agent-General, or
- (b) an official agent for, or for any state or province of, any of the countries for the time being mentioned in section 1(3) of the British Nationality Act 1948 or the Republic of Ireland, or
- (c) an official agent for any self-governing colony,

of a person certified by the High Commissioner of the country in question or, as the case may be, by the Agent-General for the state, province or self-governing colony in question to be ordinarily resident outside the United Kingdom and to be resident in

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the United Kingdom solely for the purpose of the performance of his duties as such member or official agent.

(3) In this section—

" Agent-General " means the Agent-General for any state or province of a country within subsection (2)(b) above or for any self-governing colony ;

" High Commissioner " includes the head of the mission of a country within subsection (2)(b) above, by whatever name called;

" mission " has the same meaning as in the Diplomatic Privileges Act 1964, and references to the head of a mission and a member of the staff of a mission shall be construed in accordance with that Act;

" self-governing colony " means any colony certified by a Secretary of State to be a self-governing colony.

373 Consuls and other official agents

(1) Income arising from any office or employment to which this section applies shall be exempt from income tax, and no account shall be taken of any such income in estimating the amount of income for any income tax purposes.

(2) The offices and employments to which this section applies are the following, that is to say—

(a) the office of a consul in the United Kingdom in the service of any foreign state ; and

(b) the employment of an official agent in the United Kingdom for any foreign state, not being an employment exercised by a British subject or a citizen of the Republic of Ireland or exercised in connection with any trade, business or other undertaking carried on for the purposes of profit.

(3) In this section—

" consul " means a person recognised by Her Majesty as being a consul-general, consul, vice-consul or consular agent; and

" official agent " means a person, not being a consul, who is employed on the staff of any consulate, official department or agency of a foreign state, not being a department or agency which carries on any trade, business or other undertaking for the purposes of profit.

374 Consular officers and employees

(1) Where a consular officer or employee in the United Kingdom of any foreign state to which this section applies—

(a) is not a citizen of the United Kingdom and colonies, and

(b) is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as such a consular officer or employee, and

(c) either is a permanent employee of that state or was not ordinarily resident in the United Kingdom immediately before he became a consular officer or employee in the United Kingdom of that state ;

then any income of his falling within Case IV or V or VII of Schedule D (which relate to income from overseas property and to short-term capital gains) shall be exempt from income tax, and he shall be treated as not resident in the United Kingdom for

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the purposes of sections 100 and 159(4) of this Act (which exempt certain dividends of non-residents).

- (2) A gain shall not be a chargeable gain for the purposes of capital gains tax if accruing to a consular officer or employee of any foreign state to which this section applies on the disposal of assets which at the time of the disposal were situated outside the United Kingdom.
- (3) Without prejudice to section 373 above, the income arising from a person's employment in the United Kingdom as a consular employee of any foreign state to which this section applies shall be exempt from income tax, except in the case of a person who is not a national of that state but is a citizen of the United Kingdom and colonies.
- (4) For the purposes of this section, " consular employee " includes any person employed, for the purposes of the official business of a consular officer, at any consulate or consular establishment or at any other premises used for those purposes.
- (5) This section shall apply to any foreign state to which Her Majesty by Order in Council directs that it shall apply for the purpose of giving effect to any consular convention or other arrangement with that state making similar provision in the case of Her Majesty's consular officers or employees in that state:

Provided that any such Order in Council may limit the operation of this section in relation to any state in such manner as appears to Her Majesty to be necessary or expedient having regard to the arrangement with that state.

- (6) Any Order in Council under this section may be made so as to have effect from a date earlier than the making of the Order or the passing of this Act (but not earlier than the coming into force of the arrangement with regard to which it is made), may be varied or revoked by a subsequent Order in Council and may contain such transitional provisions as appear to Her Majesty to be necessary or expedient.
- (7) Any statutory instrument under this section shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

Other exemptions

375 Scholarship income

- (1) Income arising from a scholarship held by a person receiving full-time instruction at a university, college, school or other educational establishment shall be exempt from income tax, and no account shall be taken of any such income in computing the amount of income for income tax purposes.
- (2) In this section " scholarship " includes an exhibition, bursary or any other similar educational endowment.
- (3) If any question arises whether any income is income arising from a scholarship held as aforesaid, the Board may consult the Secretary of State for Education and Science.

In the application of this subsection to Scotland and Northern Ireland, the Secretary of State and the Governor of Northern Ireland shall respectively be substituted for the Secretary of State for Education and Science.

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376 Housing grants

Where, under any enactment relating to the giving of financial assistance for the provision, maintenance or improvement of housing accommodation or other residential accommodation, a payment is made to a person by way of grant or other contribution towards expenses incurred, or to be incurred, by that or any other person, the payment shall not be treated as a receipt in computing income for any tax purpose:

Provided that the preceding provision shall not apply to a payment in so far as it is made in respect of an expense giving rise to a deduction in computing income for any tax purpose.

377 Compensation for National-Socialist persecution

- (1) Annuities payable under the law of the Federal German Republic relating to the compensation of victims of National-Socialist persecution, being annuities which under any such law relating to the taxation of such compensation are specifically exempted from tax of a character similar to that of income tax, shall not be regarded as income for any income tax purpose.
- (2) The preceding subsection shall apply to annuities payable under the law of any part of the Federal German Republic as it applies to annuities payable under the law of that Republic.