



Finance Act 2006

2006 CHAPTER 25

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 4

CHARITIES

55 Non-charitable expenditure

- (1) For section 505(3) to (8) of ICTA (charities: exemption: non-qualifying expenditure) substitute—

“(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.

Status: This is the original version (as it was originally enacted).

- (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 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.”
- (2) In section 506 of ICTA (section 505: supplemental)—
- (a) in subsection (1) for the definitions of “qualifying expenditure” and “non-qualifying expenditure” substitute—

““charitable expenditure” means (subject to subsections (3) to (5) below) expenditure which is exclusively for charitable purposes.”,
 - (b) in subsection (2) omit “and subsection (1) above,”
 - (c) in subsection (3) for “qualifying expenditure” substitute “charitable expenditure”,
 - (d) in subsection (4) for “non-qualifying expenditure” substitute “non-charitable expenditure”,
 - (e) in subsection (5) for “non-qualifying expenditure” substitute “non-charitable expenditure”,
 - (f) omit subsection (6), and
 - (g) for the heading, substitute “Charitable and non-charitable expenditure”.
- (3) Part III of Schedule 20 to ICTA (apportionment of non-qualifying expenditure to earlier chargeable periods) shall cease to have effect.
- (4) In section 256(1) of TCGA 1992 (charities) for “section 505(3)” substitute “section 505(4)”.
- (5) This section shall have effect in relation to chargeable periods beginning on or after 22nd March 2006; and—

- (a) section 505(5) and (6) of ICTA as substituted by subsection (1) above may cause an amount to be treated as non-charitable expenditure of a chargeable period beginning before that date, but
- (b) the amount of relief or exemption to be disallowed in respect of a chargeable period beginning before that date shall not exceed the amount which would have been disallowed in respect of that period if sections 505 and 506 of ICTA (and Part III of Schedule 20) had not been amended by this section.