



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER VI

MISCELLANEOUS BUSINESSES AND BODIES

505 Charities: general

- (1) Subject to subsections (2) and (3) below, 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

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chapel, or of any building used solely for the purposes 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—
 - (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) Any payment which—

- (a) is received by a charity from another charity; and
- (b) is not made for full consideration in money or money's worth; and
- (c) is not chargeable to tax apart from this subsection; and
- (d) is not, apart from this subsection, of a description which (on a claim) would be eligible for relief from tax by virtue of any provision of subsection (1) above;

shall be chargeable to tax under Case III of Schedule D but shall be eligible for relief from tax under subsection (1)(c) above as if it were an annual payment.

(3) If in any chargeable period of a charity—

- (a) its relevant income and gains are not less than £10,000; and
- (b) its relevant income and gains exceed the amount of its qualifying expenditure; and
- (c) the charity incurs, or is treated as incurring, non-qualifying expenditure;

relief shall not be available under either subsection (1) above or section 145 of the 1979 Act for so much of the excess as does not exceed the non-qualifying expenditure incurred in that period.

(4) In relation to a chargeable period of less than 12 months, subsection (3) above shall have effect as if the amount specified in paragraph (a) of that subsection were proportionately reduced.

(5) In subsection (3) above “relevant income and gains” means—

- (a) income which apart from subsection (1) above would not be exempt from tax together with any income which is taxable notwithstanding that subsection; and
- (b) gains which apart from section 145 of the 1979 Act would be chargeable gains together with any gains which are chargeable gains notwithstanding that section.

(6) Where by virtue of subsection (3) above there is an amount of a charity's relevant income and gains for which relief under subsection (1) above and section 145 of the 1979 Act is not available, the charity may, by notice to the Board, specify which items of its relevant income and gains are, in whole or in part, to be attributed to that amount, and, for this purpose, all covenanted payments to charity (within the meaning of section 660(3)) shall be treated as a single item; and if within 30 days of being required to do so by the Board, a charity does not give notice under this subsection, the items of its relevant income and gains which are to be attributed to the amount in question shall be such as the Board may determine.

(7) Where it appears to the Board that two or more charities acting in concert are engaged in transactions of which the main purpose or one of the main purposes is the avoidance

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of tax (whether by the charities or by any other person), the Board may by notice given to the charities provide that, for such chargeable periods as may be specified in the notice, subsection (3) above shall have effect in relation to them with the omission of paragraph (a).

- (8) An appeal may be brought against a notice under subsection (7) above as if it were notice of the decision of the Board on a claim made by the charities concerned.