

*These notes refer to the Income Tax Act 2007 (c.3)  
which received Royal Assent on 20 March 2007*

# INCOME TAX ACT 2007

---

## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### **Part 10: Special rules about charitable trusts etc**

##### **Overview**

##### ***Section 558: Approved charitable investments***

1670. This section sets out which investments, including loans made by way of investment, count as approved charitable investments for the purposes of the rules restricting exemptions. It is based on Schedule 20 to ICTA.
1671. The label “approved charitable investments” replaces the label “qualifying investments” in section 506(4) of ICTA.
1672. Paragraph 2 of Schedule 20 to ICTA specifies investments falling within Schedule 1 to the Trustee Investment Act 1961 (TIA 1961) as approved, with a small exception. For trust law purposes TIA 1961 has been largely superseded by the Trustee Act 2000 (TA 2000). So the detail of investments covered by Schedule 1 to TIA 1961 has been incorporated into the sections in a more succinct and updated form, removing the need to refer to a Schedule to an Act (TIA 1961) that trustees no longer need to refer to for investment purposes. See *Change 100* in Annex 1. This affects this section, section 559 and section 560.
1673. The reference to securities traded on the Unlisted Securities Market has been deleted as obsolete, because the Unlisted Securities Market ceased trading in December 1996.
1674. Investments can qualify as approved charitable investments if, despite not falling into any of the specified types not requiring a claim, a claim is made and it is accepted by HMRC. In order to be accepted, the claimant must show that the investment has been made for the benefit of the charitable trust and has not been made for the avoidance of tax.
1675. Investments include loans made by way of investment. And although not explicitly stated, such a loan would include a loan secured by a mortgage over land.
1676. The source legislation includes a reference in paragraph 7(2) of Schedule 20 to ICTA to an “authorised institution” – which in the context of that paragraph clearly means a “bank”. In fact “authorised institution” was amended to read “bank” in paragraph 7(1) by Schedule 37 to FA 1996, but was not amended in paragraph 7(2). This was an oversight and is corrected here.
1677. In *Type 4*, the reference to Act includes references to Acts of the Scottish Parliament and Northern Ireland legislation. See *Change 152* in Annex 1, section 1018 and the commentary on that section.
1678. References to “the Board” have been replaced with “an officer of Revenue and Customs”. See *Change 5* in Annex 1.