

*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 525: Meaning of “charitable trade”

1573. This section defines the meaning of “charitable trade” for the purposes of the previous section. It is based on section 505(1) and (1B) of ICTA.
1574. The main rule, in *subsection (1)*, is that the trade must be exercised in the course of carrying out a primary purpose trade of the charitable trust, ie that it must form part of the primary purposes of the trust, as set out in the trust deed or other governing document. Or that the work in connection with the trade must be mainly carried on by beneficiaries of the charitable trust.
1575. The source legislation in section 505(1)(e) of ICTA refers to the trade being carried on “in the United Kingdom or elsewhere”, and section 505(1)(e)(i) refers to it being exercised in the “actual” carrying out of a primary purpose. The words in inverted commas have been omitted as they add nothing.
1576. *Subsection (4)*, about making apportionments where different parts of a trade are treated as separate trades, makes specific mention of adjustment income and post-cessation receipts. See *Change 92* in Annex 1 and the commentary on section 524.
1577. Any apportionments must be “just” as well as “reasonable”, as in the source legislation. See *Change 93* in Annex 1.