

Status: Point in time view as at 21/07/2009.

Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Part 1. (See end of Document for details)

SCHEDULES

SCHEDULE 1

MINOR AND CONSEQUENTIAL AMENDMENTS

PART 1

INCOME AND CORPORATION TAXES ACT 1988

- 1 The Income and Corporation Taxes Act 1988 (c. 1) is amended as follows.
- 2 Omit sections 1 to 2 (the charge to income tax, application of lower rate to income from savings and distributions, rates of tax applicable to distribution income etc, and fractions of a pound and yearly assessments).
- 3 Omit section 3 (certain income charged at basic rate).
- 4 Omit section 4 (construction of references in Income Tax Acts to deduction of tax).
- 5 Omit section 7(1) (deduction of income tax from payments to companies).
- F16

Textual Amendments

- F1 Sch. 1 para. 6 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

- 7 Omit section 42A (non-resident landlords and their representatives).
- 8 Omit sections 50, 51 and 51AA (United Kingdom securities: Treasury directions for payment without deduction of tax etc).
- 9 In section 56(3)(c) (transactions in deposits with and without certificates or in debts) for “charity” substitute “charitable company”.
- F210

Textual Amendments

- F2 Sch. 1 para. 10 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

- 11 Omit section 109A (relief for post-cessation expenditure).
- F312

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Textual Amendments

F3 Sch. 1 para. 12 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

- 13 Omit section 117 (restriction on relief for limited partners: individuals).
- 14 (1) Amend section 118 (restriction on relief for limited partners: companies) as follows.
- (2) In subsection (2) before the definition of “relevant accounting period” insert—
- ““limited partner” means—
- (a) a company which is carrying on a trade as a limited partner in a limited partnership registered under the Limited Partnerships Act 1907;
- (b) a company which—
- (i) is carrying on a trade as a general partner in a partnership;
- (ii) is not entitled to take part in the management of the trade; and
- (iii) is entitled to have its liabilities, or its liabilities beyond a certain limit, for debts or obligations incurred for the purposes of the trade discharged or reimbursed by some other person; or
- (c) a company which carries on a trade jointly with others and which, under the law of any territory outside the United Kingdom—
- (i) is not entitled to take part in the management of the trade; and
- (ii) is not liable beyond a certain limit for debts or obligations incurred for the purposes of the trade;”.
- (3) In subsection (2) in the definition of “relevant accounting period” omit “(within the meaning of section 117(2))”.
- (4) In subsection (2) in the definition of “the relevant sum” omit “(within the meaning of section 117(3))”.
- (5) After that subsection insert—
- “(3) A partner company's contribution to a trade at any time is the aggregate of—
- (a) the amount which the partner company has contributed to the trade as capital and has not, directly or indirectly, drawn out or received back (other than anything which it is or may be entitled so to draw out or receive back at any time when it carries on the trade as a limited partner or which it is or may be entitled to require another person to reimburse to it), and
- (b) the amount of any profits of the trade to which the partner company is entitled but which it has not received in money or money's worth.”
- 15 For section 118ZB substitute—

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“118ZB Restriction on relief: companies

Section 118 has effect in relation to a member of a limited liability partnership as in relation to a limited partner, but subject to sections 118ZC and 118ZD.”

- 16 (1) Amend section 118ZC (member's contribution to trade) as follows.
- (2) In subsection (1) for “section 117” substitute “ section 118 ”.
- (3) In subsection (2)—
- (a) omit “that section and”,
- (b) for “him” substitute “ it ”, and
- (c) for “his” substitute “ its ”.
- (4) In subsection (3)—
- (a) for “he”, in each place where it occurs, substitute “ it ”, and
- (b) for “him” substitute “ it ”.
- (5) In subsection (4)—
- (a) for “he”, in both places where it occurs, substitute “ it ”,
- (b) for “its” substitute “ the partnership's ”, and
- (c) for “it” substitute “ the partnership ”.
- (6) Omit subsection (5).
- 17 (1) Amend section 118ZD (carry forward of unrelieved losses) as follows.
- (2) In subsection (1)—
- (a) for “chargeable periods” substitute “ accounting periods ”,
- (b) omit “117 or”,
- (c) for “his”, in both places where it occurs, substitute “ the member's ”,
- (d) for “chargeable period” substitute “ accounting period ”, and
- (e) for “he” substitute “ the member ”.
- (3) In subsection (2)—
- (a) for the words from the beginning to “as they apply” substitute “ Sections 393A(1) and 403 (and section 118 as it applies ”,
- (b) for “chargeable period”, in both places where it occurs, substitute “ accounting period ”, and
- (c) for “his” substitute “ the member's ”.
- (4) In subsection (3)—
- (a) for “chargeable period”, in each place where it occurs, substitute “ accounting period ”,
- (b) for “his”, in each place where it occurs, substitute “ the member's ”, and
- (c) for “the Tax Acts” substitute “ the Corporation Tax Acts ”.
- 18 Omit sections 118ZE to 118ZK (restriction on reliefs for non-active general partners and non-active members of LLPs).
- 19 Omit sections 118ZL and 118ZM (restriction on reliefs for partnerships exploiting films).

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20 Omit sections 118ZN and 118ZO (partners: meaning of “contribution to the trade”).
F⁴21

Textual Amendments
F4 Sch. 1 para. 21 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

22 In section 209A(4) (section 209(3AA): link to shares of company or associated company) for “section 349(5) and (6)” substitute “ section 984 of ITA 2007 ”.

23 Omit section 214(1)(b) (chargeable payments connected with exempt distributions: deduction of tax at source).

24 (1) Amend section 231AA (no tax credit for borrower under stock lending arrangement or interim holder under repurchase agreement) as follows.
(2) In subsection (1) omit “above or section 397(1) of ITTOIA 2005”.
(3) Omit subsection (1A).

25 (1) Amend section 231AB (no tax credit for original owner under repurchase agreement in respect of certain manufactured dividends) as follows.
(2) In subsection (1) omit “above or section 397(1) of ITTOIA 2005”.
(3) Omit subsection (1A).

26 In section 231B(12) (consequences of certain arrangements to pass on the value of a tax credit) for the definition of “tax advantage” substitute—
““tax advantage” has the meaning given by section 840ZA”.

F⁵27

Textual Amendments
F5 [Sch. 1 paras. 27-35](#) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 1 para. 6(o)(vi)**

F⁵28

Textual Amendments
F5 [Sch. 1 paras. 27-35](#) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 1 para. 6(o)(vi)**

F⁵29

Textual Amendments
F5 [Sch. 1 paras. 27-35](#) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 1 para. 6(o)(vi)**

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F⁵30

Textual Amendments

F5 Sch. 1 paras. 27-35 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 1 para. 6(o)(vi)**

F⁵31

Textual Amendments

F5 Sch. 1 paras. 27-35 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 1 para. 6(o)(vi)**

F⁵32

Textual Amendments

F5 Sch. 1 paras. 27-35 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 1 para. 6(o)(vi)**

F⁵33

Textual Amendments

F5 Sch. 1 paras. 27-35 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 1 para. 6(o)(vi)**

F⁵34

Textual Amendments

F5 Sch. 1 paras. 27-35 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 1 para. 6(o)(vi)**

F⁵35

Textual Amendments

F5 Sch. 1 paras. 27-35 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 1 para. 6(o)(vi)**

- 36 (1) Amend section 266 (life assurance premiums) as follows.
- (2) In subsection (3)(c) omit the words from “, except” to “subsection (6) below”.
- (3) In subsection (4) for “subsections (6) to (8)” substitute “ subsections (7) and (8) ”.
- (4) Omit subsections (6) and (6A).

F⁶(5)

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^{F6}(6)

(7) In subsection (13) omit “this section and”.

Textual Amendments

F6 Sch. 1 para. 36(5)(6) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 1 para. 6\(o\)\(vi\)](#)

^{F7}37

Textual Amendments

F7 Sch. 1 para. 37 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 1 para. 6\(o\)\(vi\)](#)

38 Omit section 276 (effect on relief of charges on income).

39 Omit section 277 (partners).

40 (1) Amend section 278 (non-residents) as follows.

(2) Omit subsection (1).

(3) In subsection (2)—

(a) for the words from the beginning to “individual” substitute “ Subject to subsection (2ZA) below, relief under this Chapter shall be given only to an individual ”,

(b) before paragraph (a) insert—

“(za) is not resident in the United Kingdom,

(zb) does not meet the condition in section 56(3) of ITA 2007, and”, and

(c) omit paragraphs (b) to (e) and the “or” immediately before paragraph (b).

(4) After subsection (2) insert—

“(2ZA) Relief under section 266 above (except relief given by virtue of subsection (7) of that section) may also be given to an individual who—

(a) is resident in the United Kingdom, or

(b) meets the condition in section 56(3) of ITA 2007.”

41 Omit section 282 (construction of references to spouses or civil partners living together).

42 Omit sections 282A and 282B (jointly held property).

43 Omit section 305A (relief for loss on disposal of shares).

44 In section 312(2A) (interpretation of Chapter 3), as it applies in relation to shares issued before 6 April 2007, for paragraph (a) substitute—

“(a) references to a company being “in administration” are to—

(i) it being in administration within the meaning of Schedule B1 to the Insolvency Act 1986 (c. 45) or Schedule B1 to the

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Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or

(ii) there being in force in relation to it, under the law of a country or territory outside the United Kingdom, any appointment corresponding to an appointment of an administrator under either of those Schedules;”.

45 Omit section 320 (Commonwealth Agents-General and official agents etc).

46 Omit section 323 (visiting forces).

47 Omit section 332A (venture capital trusts: relief).

48 Omit section 334 (Commonwealth and Irish citizens temporarily abroad).

49 Omit section 335 (residence of persons working abroad).

50 Omit section 336 (temporary residents in the United Kingdom).

51 (1) Amend section 339 (charges on income: donations to charity) as follows.

(2) For subsection (4) substitute—

“(4) Where a company gives a sum of money to a charity—

(a) if the charity is a charitable company, a body mentioned in section 507 or an Association of a description specified in section 508, the gift shall in the hands of the charitable company be treated for the purposes of this Act as if it were an annual payment, and

(b) if the charity is a trust established for charitable purposes only, see section 522 of ITA 2007 (gifts of money from companies).”

(3) After subsection (9) insert—

“(10) In this section “charitable company” has the same meaning as in section 506.”

F852

Textual Amendments

F8 Sch. 1 para. 52 repealed (19.7.2007) by Finance Act 2007 (c. 11), Sch. 27 Pt. 2(3)

53 Omit section 347B (qualifying maintenance payments).

54 Omit section 348 (payments out of profits or gains brought into charge to income tax: deduction of tax).

55 Omit section 349 (payments not out of profits or gains brought into charge to income tax, and annual interest).

56 Omit section 349ZA (extension of section 349: proceeds of sale of UK patent rights).

57 Omit sections 349A to 349D (exceptions to section 349 for payments between companies).

58 Omit section 349E (deductions under section 349(1): payment of royalties overseas).

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- 59 Omit section 350 (charge to tax where payments made under section 349).
- 60 Omit section 350A (UK public revenue dividends: deduction of tax).
- 61 Omit section 352 (certificates of deduction of tax).
- 62 (1) Amend section 353 (relief for payments of interest: general) as follows.
- (2) In subsection (1)—
- (a) omit “sections 359 to 368 of this Act and”, and
- (b) for “sections 359 to 365” substitute “ section 365 ”.
- (3) For subsection (1A) substitute—
- “(1A) Where a person is entitled for a year of assessment to relief under this section in respect of an amount of interest which is eligible for relief by virtue of section 365, the relief is given as a tax reduction for that tax year.
- (1AA) The amount of the tax reduction is 23% of the amount of the interest.
- (1AB) The tax reduction is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- (4) Omit subsection (1B).
- (5) In subsection (1E)—
- (a) omit “under this section”,
- (b) for “subsection (1B) above” substitute “ section 383 of ITA 2007 (relief for interest payments) ”,
- (c) for “those subsections” substitute “ those provisions ”, and
- (d) for the words from “and subsection (1A) or (1B)” to the end substitute “ and subsection (1A) above or section 383 of ITA 2007 shall apply accordingly to the case in which that subsection or section applies ”.
- (6) Omit subsections (1F) to (1H).
- 63 Omit section 359 (loan to buy machinery or plant).
- 64 Omit section 360 (loan to buy interest in close company).
- 65 Omit section 360A (meaning of “material interest” in section 360).
- 66 Omit section 361 (loan to buy interest in co-operative or employee-controlled company).
- 67 Omit section 362 (loan to buy into partnership).
- 68 Omit section 363 (provisions supplementary to sections 360 to 362).
- 69 Omit section 364 (loan to pay inheritance tax).
- 70 In section 366(1)(c) (information) omit the words from “(or” to “income)”.
- 71 In section 367 (provisions supplementary to sections 354 to 366) omit subsections (2) to (4).
- 72 Omit section 368 (exclusion of double relief etc).
- 73 Omit Chapter 1 of Part 10 (loss relief: income tax).
- 74 (1) Amend section 397 (restriction of relief in case of farming and market gardening) as follows.

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- (2) Omit subsection (1).
 - (3) In subsection (3)—
 - (a) for “Subsections (1) and (2) above” substitute “ This section ”, and
 - (b) for “he” substitute “ that farmer or market gardener ”.
 - (4) In subsection (4) for “Subsections (1) and (2) above” substitute “ This section ”.
 - (5) In subsection (5)—
 - (a) omit the definition of “chargeable period”,
 - (b) for the definition of “prior five years” substitute—

““prior five years” means, in relation to a loss incurred in a company's accounting period, the last five years before the beginning of that period;”,
 - (c) in the definition of “prior period of loss”—
 - (i) omit “years of assessment or”, and
 - (ii) for “in applying this definition to a chargeable period of a company” substitute “ for this purpose ”, and
 - (d) for the definitions of “farming” and “market gardening” substitute—

““farming” and “market gardening” shall be construed in accordance with the definitions in section 832, but as if those definitions were not restricted to activities in the United Kingdom.”
 - (6) In subsection (7)—
 - (a) omit “the calculation of the profits of a trade in Part 2 of ITTOIA 2005 or to”,
 - (b) after “Schedule D” insert “ (or to the calculation of the profits of a trade in Part 2 of ITTOIA 2005) ”, and
 - (c) omit “, in relation to a chargeable period of a company”,
 - (7) In subsection (8)—
 - (a) for “Subsections (1) and (2) above” substitute “ This section ”, and
 - (b) for “Tax Acts” substitute “ Corporation Tax Acts ”.
 - (8) In subsection (10)—
 - (a) omit “from income tax or from corporation tax”, and
 - (b) for the words from “some of which are incurred” to “chargeable periods” substitute “ (computed without regard to capital allowances) some of which are incurred in an accounting period wholly or partly comprised in the prior five years and some of which are incurred in a year of assessment wholly or partly comprised in the prior five years ”.
- 75 (1) Amend section 398 (transactions in deposits with and without certificates or in debts) as follows.
- (2) For “a person” substitute “ a company ”.
 - (3) Omit “above or Chapter 11 of Part 4 of ITTOIA 2005 (transactions in deposits)”.
 - (4) In paragraph (a)—
 - (a) after “chargeable to” insert “ corporation ”, and
 - (b) omit “above or that Chapter”.

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- (5) In paragraph (b) for the words from “he is chargeable” to “that Act” substitute “ the company is chargeable to corporation tax under Schedule D ”.
- (6) For the words from “the amount of his loss may be set off in pursuance” to the end substitute “ the amount of its loss may be set off under section 396. ”
- 76 (1) Amend section 399 (dealings in commodity futures etc: withdrawal of loss relief) as follows.
 - (2) In subsection (2)—
 - (a) for “any person under section 380, 381 or” substitute “ any company under section ”,
 - (b) in paragraph (a) omit “and that person or one or more of the other partners was a company”,
 - (c) in paragraph (b) for “that person from his” substitute “ that company from its ”, and
 - (d) for “tax liability” substitute “ corporation tax liability ”.
 - (3) In subsection (3) for the words after “assessment” substitute “ to corporation tax under Case VI of Schedule D. ”
- 77 In section 414(1) (close companies) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- F⁹78

Textual Amendments
F9 Sch. 1 para. 78 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

- 79 In section 459 (exemption for unregistered friendly societies) omit “income tax and”.
- 80 In section 460(1) (exemption for registered friendly societies: life or endowment business) omit “income tax and”.
- 81 (1) Section 461 (exemption for registered friendly societies: other business) is amended as follows.
 - (2) In subsection (1) omit “income tax and”.
 - (3) In subsection (4)(b) omit “income tax or”.
- 82 (1) Amend section 461B (exemption for qualifying incorporated friendly societies: other business) as follows.
 - (2) In subsection (1) omit “income tax and”.
 - (3) In subsection (5) omit “income tax or”.
- F¹⁰83

Textual Amendments
F10 Sch. 1 para. 83 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

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- 84 (1) Amend section 467(1) (exemption for trade unions and employers' associations) as follows.
- (2) After “entitled” insert “ to exemption from corporation tax ”.
- (3) In paragraph (a) omit “to exemption from income tax and corporation tax”.
- (4) In paragraph (b) omit “to exemption from tax”.
- 85 (1) Amend section 468 (authorised unit trusts) as follows.
- ^{F11}(2)
- (3) In subsection (6) omit the definition of “unit trust scheme” and the “and” immediately before it.

Textual Amendments

F11 Sch. 1 para. 85(2) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

^{F12}86

Textual Amendments

F12 Sch. 1 para. 86 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

- 87 (1) Amend section 469 (unauthorised unit trusts) as follows.
- (2) In subsection (2)—
- (a) for “Tax Acts” substitute “ Corporation Tax Acts ”, and
- (b) omit the words from “and, in the case of income” to the end.
- (3) Omit subsections (2A) to (4).
- ^{F13}(4)
- ^{F13}(5)
- (6) Omit subsections (5A) to (5D) and (7) to (10).

Textual Amendments

F13 Sch. 1 para. 87(4)(5) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

- 88 (1) Amend section 477A (building societies: regulations for deduction of tax) as follows.
- (2) Omit subsections (1) to (2A).
- (3) In subsection (3)—
- (a) omit the words from “For any” to “above apply,”, and
- (b) in paragraph (b) omit the words “paid or credited in the year of assessment”.

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- (4) Omit subsection (7).
- (5) For subsection (9) substitute—
- “(9) In this section “dividend” includes any distribution (whether or not described as a dividend).”
- (6) In subsection (10) omit the definitions of “qualifying certificate of deposit”, “qualifying deposit right” and “security”.
- (7) In the sidenote for “regulations for deduction of tax” substitute “loan relationships”.
- 89 Omit sections 480A to 482 (deduction of tax by deposit-takers).
- 90 (1) Amend section 486 (industrial and provident societies and co-operative associations) as follows.
- (2) Omit subsections (2), (3) and (6).
- (3) In subsection (7) for “subsection (6)” substitute “ section 887(2) of ITA 2007 ”.
- F1491

Textual Amendments

F14 Sch. 1 para. 91 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

- 92 (1) Amend section 492 (treatment of oil extraction activities etc for tax purposes) as follows.
- (2) Omit subsection (2).
- (3) For subsection (4) substitute—
- “(4) In any case where—
- (a) in any accounting period a company incurs a loss in activities (“separate activities”) which, for that or any subsequent accounting period, are treated by virtue of subsection (1) above as a separate trade for the purposes specified in that subsection, and
- (b) in any subsequent accounting period any of its trading income is derived from activities (“related activities”) which are not part of the separate activities but which, apart from subsection (1) above, would together with those activities constitute a single trade,
- then, notwithstanding anything in subsection (1) above, the amount of the loss may be set off, in accordance with section 393(1), against so much of its trading income in any subsequent accounting period as is derived from the related activities.”
- 93 Omit section 504A (letting of furnished holiday accommodation treated as trade for certain income tax purposes).
- 94 (1) Amend section 505 (charities: general) as follows.
- (2) In subsection (1)—
- (a) in paragraph (a) omit “, or under Parts 2 and 3 of ITTOIA 2005,”,
- (b) in paragraph (c)—

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- (i) in sub-paragraph (ii) omit the words from “or under Chapter 2, 7, 8 or 10” to the end of the sub-paragraph,
 - (ii) omit sub-paragraphs (iaa) and (iii), and
 - (iii) for “charity” substitute “charitable company”;
 - (c) in paragraph (d) omit “or Chapter 2 of Part 4 of ITTOIA 2005 (interest)”,
 - (d) in paragraph (e)—
 - (i) omit “or Part 2 of ITTOIA 2005 (trading income)”, and
 - (ii) for “charity”, in each place where it occurs, substitute “charitable company”, and
 - (e) in paragraph (f)—
 - (i) omit “or Part 2 or 5 of ITTOIA 2005 (trading and miscellaneous income)”,
 - (ii) for “charity” substitute “charitable company”, and
 - ^{F15}(iii)
- (3) In subsection (1AA) for “(1)(c)(iaa) and (iib)” substitute “(1)(c)(iib)”.
- (4) In subsection (1B) for “charity” substitute “charitable company”.
- (5) In subsection (2)—
 - (a) in paragraph (a), for “a charity” substitute “a charitable company”,
 - (b) in paragraph (c) for “tax” substitute “corporation tax”, and
 - (c) omit the words from “chargeable to income tax” to “and shall be”.
- (6) In subsection (4)—
 - (a) for “charity” substitute “charitable company”, and
 - (b) for “a chargeable” substitute “an accounting”.
- (7) In subsection (5)—
 - (a) for “a chargeable” substitute “an accounting”, and
 - (b) for “charity’s” substitute “charitable company’s”.
- (8) In subsection (6) for “a chargeable” in both places where it occurs substitute “an accounting”.
- (9) In subsection (7)—
 - (a) for “charity’s” substitute “charitable company’s”, and
 - (b) for “charity” in each place where it occurs substitute “charitable company”.
- (10) In the sidenote for “Charities” substitute “Charitable companies”.

Textual Amendments

F15 Sch. 1 para. 94(2)(e)(iii) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 6\(3\)](#)

- 95 (1) Amend section 506 (charitable and non-charitable expenditure) as follows.
- (2) In subsection (1) in the appropriate place insert—
““charitable company” means any body of persons established for charitable purposes only;”.
- (3) In subsection (2)—

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- (a) for “chargeable”, in both places where it occurs, substitute “ accounting ”, and
 - (b) for “charity” substitute “ charitable company ”.
- (4) In subsection (3) for “charity” substitute “ charitable company ”.
- (5) In subsection (4)—
- (a) for “chargeable” substitute “ accounting ”, and
 - (b) for “charity”, in both places where it occurs, substitute “ charitable company ”.
- (6) In subsection (5)—
- (a) for “chargeable” substitute “ accounting ”, and
 - (b) for “charity” substitute “ charitable company ”.
- 96 (1) Amend section 506A (transactions with substantial donors) as follows.
- (2) For “charity” in each place where it occurs substitute “ charitable company ”.
- (3) In subsection (2)—
- (a) for “a chargeable” in both places where it occurs substitute “ an accounting ”,
 - (b) for “the chargeable” in both places where it occurs substitute “ the accounting ”, and
 - (c) for “five chargeable” substitute “ five accounting ”.
- 97 (1) Amend section 506B (section 506A: exceptions) as follows.
- (2) In subsections (1) to (4), (7) and (9), for “charity” in each place where it occurs substitute “ charitable company ”.
- (3) In subsection (5) for “to which section 587B applies” substitute “ in respect of which relief is available under section 587B of this Act or section 431 of ITA 2007 (gifts of shares, securities and real property to charities etc) ”.
- (4) In subsection (7) for the words after “so far as” substitute “they relate to a donation by the donor, and—
- (a) if the donation is made by a company, the payments or benefits do not prevent the donation being a qualifying donation for the purposes of section 339 because of subsection (3B)(b) of that section (restrictions on associated benefits), or
 - (b) if the donation is made by an individual, the payments or benefits do not prevent the donation being a qualifying donation for the purposes of section 416 of ITA 2007 because of subsection (7)(b) of that section (restrictions on associated benefits).”
- (5) In subsection (8) for the words from “the charity” to the end substitute “ a charitable company which owns it (or any part of it) ”.
- 98 (1) Amend section 506C (sections 506A and 506B: supplemental) as follows.
- (2) In subsection (1)—
- (a) omit paragraph (d),
 - (b) omit the “or” at the end of paragraph (h),
 - (c) insert “ or ” at the end of paragraph (i), and
 - (d) after that paragraph insert—

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- “(j) Chapters 2 and 3 of Part 8 of ITA 2007 (gift aid and gifts of shares, securities and real property).”
- (3) In subsections (2) and (4) for “charity” substitute “charitable company”.
- (4) In subsection (3) for “a chargeable” substitute “an accounting”.
- (5) In subsection (5) for the words from the beginning to “single charity” substitute “A charitable company and any other charities with which it is connected are to be treated as a single charitable company”.
- 99 In section 507(1) (the National Heritage Memorial fund etc) for “charity” substitute “charitable company”.
- 100 In section 508(1) (scientific research organisations) for “charity” substitute “charitable company”.
- 101 (1) Amend section 510A (tax treatment of European Economic Interest Groupings) as follows.
- (2) In subsection (2) for “tax in respect of income and gains” substitute “corporation tax”.
- (3) In subsection (3) omit paragraph (b) and the “and” immediately before it.
- (4) In subsection (6) for “tax in respect of income and gains” substitute “corporation tax”.
- 102 Omit section 515 (exemption for signatories to Operating Agreement for INMARSAT).
- 103 Omit section 516 (Government securities held by non-resident central banks).
- 104 In section 517 (exemption for Reserve Bank of India and State Bank of Pakistan) after “exempt from” insert “corporation”.
- 105 In section 519 (exemption for local authorities and local authority associations) for subsection (1) substitute—
- “(1) A local authority in the United Kingdom shall be exempt from corporation tax.”
- 106 (1) Amend section 519A (exemption for Health Service bodies) as follows.
- (2) For subsection (1) substitute—
- “(1) A health service body shall be exempt from corporation tax.”
- (3) In subsections (3) and (4) for “subsection (1)(b)” substitute “subsection (1)”.

F16 107

Textual Amendments

F16 Sch. 1 para. 107 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

- 108 (1) Amend section 527 (spreading of royalties over several years) as follows.
- (2) For subsection (1) substitute—

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“(1) Where—

- (a) a royalty or other sum is paid to a company in respect of the user of a patent,
- (b) the user extended over a period of six complete years or more, and
- (c) the payment is one from which a sum representing income tax must be deducted under section 903 of ITA 2007,

the company may on the making of a claim require that the corporation tax payable by it by reason of the receipt of that sum shall be reduced so as not to exceed the total amount of corporation tax which would have been payable by it if that royalty or sum had been paid in six equal instalments at yearly intervals, the last of which was paid on the date on which the payment was in fact made.”

(3) Omit subsection (4).

F17 109

Textual Amendments

F17 Sch. 1 para. 109 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

110 Omit sections 536 (taxation of royalties where owner abroad), 537 (public lending right) and 537B (taxation of design royalties where owner abroad).

F18 111

Textual Amendments

F18 Sch. 1 para. 111 omitted (21.7.2008 with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 14 para. 17(o)**

F19 112

Textual Amendments

F19 Sch. 1 para. 112 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 1 para. 35**

113 Omit section 555 (entertainers and sportsmen: payment of tax).

F20 114

Textual Amendments

F20 Sch. 1 para. 114 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

115 In section 558 (supplementary provisions) omit subsections (1) to (4).

116 In section 571 (schemes for rationalising industry: cancellation of certificates) after subsection (1) insert—

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“(1A) An amount charged to income tax under subsection (1) above is treated for income tax purposes as an amount of income.”

- 117 (1) Amend section 573 (relief for companies) as follows.
- (2) In subsection (4) omit the words from “and where” to “chargeable gains”.
- (3) Transpose section 573 as so amended to the beginning of a new Chapter of Part 13 that follows Chapter 5 as Chapter 5A and is entitled “Share loss relief”.
- 118 Omit section 574 (share loss relief for individuals).
- 119 (1) Amend section 575 (exclusion of relief under section 573 or 574 in certain cases) as follows.
- (2) In the sidenote omit “or 574”.
- (3) In subsection (1) for “Sections 573 and 574 do” substitute “Section 573 does”.
- (4) In subsection (2)—
- (a) for “person” substitute “company”,
- (b) for “him” and, in both places where it occurs, “he” substitute “it”, and
- (c) omit “or 574”, in each place where it occurs.
- (5) In subsection (3) omit “or 574”.
- (6) After subsection (3) insert—
- “(4) In this section “new consideration” means consideration in money or money's worth other than consideration of the kind excluded by paragraph (a) or (b) of section 128(2) of the 1992 Act.”
- (7) Transpose section 575 as so amended to after section 573.
- 120 (1) Amend section 576 (provisions supplementary to sections 573 to 575) as follows.
- (2) In the sidenote for “sections 573 to 575” substitute “sections 573 and 575”.
- (3) In subsection (1)—
- (a) for “subsections (1A) to (1C)” substitute “subsection (1C)”,
- (b) for “a person” substitute “a company”,
- (c) for “a company” substitute “another company”,
- (d) for “he” and “him”, in each place where they occur, substitute “it”, and
- (e) omit “or 574”.
- (4) Omit subsections (1A) and (1B).
- (5) After subsection (1C) insert—
- “(1D) In this section “holding” means any number of shares of the same class held by one company in one capacity, growing or diminishing as shares of that class are acquired or disposed of.
- For this purpose—
- (a) shares are not to be treated as being of the same class unless they are so treated by the practice of a recognised stock exchange or would be so treated if dealt in on such an exchange, and

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(b) subsection (4) of section 104 of the 1992 Act applies as it applies for the purposes of subsection (1) of that section.”

(6) Omit subsections (2) to (5).

(7) Transpose section 576 as so amended to after section 575.

121 After section 576 insert—

“576A Qualifying trading companies

(1) For the purposes of this Chapter a qualifying trading company is a company which meets each of conditions A to D.

(2) Condition A is that the company either—

(a) meets each of the following requirements on the date of the disposal—

(i) the trading requirement (see section 576B),

(ii) the control and independence requirement (see section 576D),

(iii) the qualifying subsidiaries requirement (see section 576E), and

(iv) the property managing subsidiaries requirement (see section 576F), or

(b) has ceased to meet any of those requirements at a time which is not more than 3 years before that date and has not since that time been an excluded company, an investment company or a trading company.

(3) Condition B is that the company either—

(a) has met each of the requirements mentioned in condition A for a continuous period of 6 years ending on that date or at that time, or

(b) has met each of those requirements for a shorter continuous period ending on that date or at that time and has not before the beginning of that period been an excluded company, an investment company or a trading company.

(4) Condition C is that the company—

(a) met the gross assets requirement (see section 576G) both immediately before and immediately after the issue of the shares in respect of which the relief is claimed under this Chapter, and

(b) met the unquoted status requirement (see section 576H) at the relevant time within the meaning of that section.

(5) Condition D is that the company has carried on its business wholly or mainly in the United Kingdom throughout the period—

(a) beginning with the incorporation of the company or, if later, 12 months before the shares in question were issued, and

(b) ending with the date of the disposal.”

122 After section 576A insert —

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“Qualifying trading companies: the requirements

576B The trading requirement

- (1) The trading requirement is that—
 - (a) the company, disregarding any incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, or
 - (b) the company is a parent company and the business of the group does not consist wholly or as to a substantial part in the carrying on of non-qualifying activities.
- (2) If the company intends that one or more other companies should become its qualifying subsidiaries with a view to their carrying on one or more qualifying trades—
 - (a) the company is treated as a parent company for the purposes of subsection (1)(b), and
 - (b) the reference in subsection (1)(b) to the group includes the company and any existing or future company that will be its qualifying subsidiary after the intention in question is carried into effect.

This subsection does not apply at any time after the abandonment of that intention.

- (3) For the purpose of subsection (1)(b) the business of the group means what would be the business of the group if the activities of the group companies taken together were regarded as one business.
- (4) For the purpose of determining the business of a group, activities are disregarded to the extent that they are activities carried on by a mainly trading subsidiary otherwise than for its main purpose.
- (5) For the purposes of determining the business of a group, activities of a group company are disregarded to the extent that they consist in—
 - (a) the holding of shares in or securities of a qualifying subsidiary of the parent company,
 - (b) the making of loans to another group company,
 - (c) the holding and managing of property used by a group company for the purpose of one or more qualifying trades carried on by a group company, or
 - (d) the holding and managing of property used by a group company for the purpose of research and development from which it is intended—
 - (i) that a qualifying trade to be carried on by a group company will be derived, or
 - (ii) that a qualifying trade carried on or to be carried on by a group company will benefit.
- (6) Any reference in subsection (5)(d)(i) or (ii) to a group company includes a reference to any existing or future company which will be a group company at any future time.
- (7) In this section—

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“excluded activities” has the meaning given by section 192 of ITA 2007 read with sections 193 to 199 of that Act,

“group” means a parent company and all its qualifying subsidiaries,

“group company”, in relation to a group, means the parent company or any of its qualifying subsidiaries,

“incidental purposes” means purposes having no significant effect (other than in relation to incidental matters) on the extent of the activities of the company in question,

“mainly trading subsidiary” means a subsidiary which, apart from incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, and any reference to the main purpose of such a subsidiary is to be read accordingly,

“non-qualifying activities” means—

- (a) excluded activities, and
- (b) activities (other than research and development) carried on otherwise than in the course of a trade,

“parent company” means a company that has one or more qualifying subsidiaries,

“qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007,

“qualifying trade” has the meaning given by section 189 of that Act,

“research and development” has the meaning given by section 837A.

- (8) In sections 189(1)(b) and 194(4)(c) of ITA 2007 (as applied by subsection (7) for the purposes of the definitions of “excluded activities” and “qualifying trade”) “period B” means the continuous period that is relevant for the purposes of section 576A(3).”

123 After section 576B insert—

“576C Ceasing to meet the trading requirement because of administration or receivership

- (1) A company is not regarded as ceasing to meet the trading requirement by reason only of anything done in consequence of the company or any of its subsidiaries being in administration or receivership.

This has effect subject to subsections (2) and (3).

- (2) Subsection (1) applies only if—
- (a) the entry into administration or receivership, and
 - (b) everything done as a result of the company concerned being in administration or receivership,
- is for genuine commercial reasons, and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

- (3) A company ceases to meet the trading requirement if before the time that is relevant for the purposes of section 576A(2)—

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- (a) a resolution is passed, or an order is made, for the winding up of the company or any of its subsidiaries (or, in the case of a winding up otherwise than under the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989, any other act is done for the like purpose), or
- (b) the company or any of its subsidiaries is dissolved without winding up.

This is subject to subsection (4).

- (4) Subsection (3) does not apply if—
 - (a) the winding up is for genuine commercial reasons, and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax, and
 - (b) the company continues, during the winding up, to be a trading company.
- (5) References in this section to a company being “in administration” or “in receivership” are to be read in accordance with section 252 of ITA 2007.”

124 After section 576C insert—

“576D The control and independence requirement

- (1) The control element of the requirement is that—
 - (a) the company must not control (whether on its own or together with any person connected with it) any company which is not a qualifying subsidiary of the company, and
 - (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a) (whether at a time during the continuous period that is relevant for the purposes of section 576A(3) or otherwise).
- (2) The independence element of the requirement is that—
 - (a) the company must not—
 - (i) be a 51% subsidiary of another company, or
 - (ii) be under the control of another company (or of another company and any other person connected with that other company), without being a 51% subsidiary of that other company, and
 - (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a) (whether at a time during the continuous period that is relevant for the purposes of section 576A(3) or otherwise).
- (3) This section is subject to section 576J(3).
- (4) In this section—
 - “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable,
 - “control” is to be read as follows—
 - (a) in subsection (1)(a), in accordance with section 416(2) to (6),
 - (b) in subsection (2)(a), in accordance with section 840,

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“qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007.”

125 After section 576D insert—

“576E The qualifying subsidiaries requirement

- (1) The qualifying subsidiaries requirement is that any subsidiary that the company has must be a qualifying subsidiary of the company.
- (2) In this section “qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007.”

126 After section 576E insert—

“576F The property managing subsidiaries requirement

- (1) The property managing subsidiaries requirement is that any property managing subsidiary that the company has must be a qualifying 90% subsidiary of the company.
- (2) In this section—
 - “property managing subsidiary” has the meaning given by section 188(2) of ITA 2007,
 - “qualifying 90% subsidiary” has the meaning given by section 190 of that Act.”

127 After section 576F insert—

“576G The gross assets requirement

- (1) The gross assets requirement in the case of a single company is that the value of the company's gross assets—
 - (a) must not exceed £7 million immediately before the shares in respect of which the relief is claimed under this Chapter are issued, and
 - (b) must not exceed £8 million immediately afterwards.
- (2) The gross assets requirement in the case of a parent company is that the value of the group assets—
 - (a) must not exceed £7 million immediately before the shares in respect of which the relief is claimed under this Chapter are issued, and
 - (b) must not exceed £8 million immediately afterwards.
- (3) The value of the group assets means the aggregate of the values of the gross assets of each of the members of the group, disregarding any that consist in rights against, or shares in or securities of, another member of the group.
- (4) In this section—
 - “group” means a parent company and its qualifying subsidiaries,
 - “parent company” means a company that has one or more qualifying subsidiaries,
 - “qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007, and

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“single company” means a company that does not have one or more qualifying subsidiaries.”

128 After section 576G insert—

“576H The unquoted status requirement

- (1) The unquoted status requirement is that, at the time (“the relevant time”) at which the shares in respect of which the relief is claimed under this Chapter are issued—
 - (a) the company must be an unquoted company,
 - (b) there must be no arrangements in existence for the company to cease to be an unquoted company, and
 - (c) there must be no arrangements in existence for the company to become a subsidiary of another company (“the new company”) by virtue of an exchange of shares, or shares and securities, if—
 - (i) section 576J applies in relation to the exchange, and
 - (ii) arrangements have been made with a view to the new company ceasing to be an unquoted company.
- (2) The arrangements referred to in subsection (1)(b) and (c)(ii) do not include arrangements in consequence of which any shares, stocks, debentures or other securities of the company or the new company are at any subsequent time—
 - (a) listed on a stock exchange that is a recognised stock exchange by virtue of an order made under section 1005 of ITA 2007, or
 - (b) listed on an exchange, or dealt in by any means, designated by an order made for the purposes of section 184(3)(b) or (c) of that Act, if the order was made after the relevant time.
- (3) In this section—

“arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable,
“debenture” has the meaning given by section 744 of the Companies Act 1985,
“unquoted company” has the meaning given by section 184(2) of ITA 2007.”

129 After section 576H insert—

“576I Power to amend requirements by Treasury order

The Treasury may by order make such amendments of sections 576B to 576H as they consider appropriate.”

130 After section 576I insert—

“Qualifying trading companies: supplementary provisions

576J Relief after an exchange of shares for shares in another company

- (1) This section and section 576K apply in relation to shares if—

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- (a) a company (“the new company”) in which the only issued shares are subscriber shares acquires all the shares (“old shares”) in another company (“the old company”),
- (b) the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company,
- (c) the consideration for the new shares of each description consists wholly of old shares of the corresponding description,
- (d) new shares of each description are issued to the holders of old shares of the corresponding description in respect of and in proportion to their holdings, and
- (e) by virtue of section 127 of the 1992 Act as applied by section 135(3) of that Act (company reconstructions etc), the exchange of shares is not to be treated as involving a disposal of the old shares or an acquisition of the new shares.

In this subsection references to shares, except the first and that in the expression “subscriber shares”, include securities.

- (2) For the purposes of this Chapter the exchange of shares is not regarded as involving any disposal of the old shares or any acquisition of the new shares.
- (3) Nothing in section 576D (the control and independence requirement) applies in relation to such an exchange of shares, or shares and securities, as is mentioned in subsection (1), or arrangements with a view to such an exchange.
- (4) For the purposes of this section old shares and new shares are of a corresponding description if, on the assumption that they were shares in the same company, they would be of the same class and carry the same rights.
- (5) References in section 576K to “old shares”, “new shares”, “the old company” and “the new company” are to be read in accordance with this section.”

131 After section 576J insert—

“576K Substitution of new shares for old shares

- (1) Subsection (2) applies if, in the case of any new shares held by a company or by a nominee for a company, the old shares for which they were exchanged were shares that had been subscribed for by the company (“the investor”).
- (2) This Chapter has effect as if—
 - (a) the new shares had been subscribed for by the investor at the time when, and for the amount for which, the old shares were subscribed for by the investor,
 - (b) the new shares had been issued by the new company at the time when the old shares were issued to the investor by the old company, and
 - (c) any requirements of this Chapter which were met at any time before the exchange by the old company had been met at that time by the new company.
- (3) Section 573(6) applies for the purposes of this section.”

132 After section 576K insert—

Status: Point in time view as at 21/07/2009.

Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Part 1. (See end of Document for details)

“Supplemental

576L Interpretation of Chapter

(1) In this Chapter (subject to subsections (2) to (5))—

“excluded company” means a company which—

- (a) has a trade which consists wholly or mainly of dealing in land, in commodities or futures or in shares, securities or other financial instruments,
- (b) has a trade which is not carried on on a commercial basis and in such a way that profits in the trade can reasonably be expected to be realised,
- (c) is a holding company of a group other than a trading group, or
- (d) is a building society or a registered industrial and provident society,

“group” (except in sections 576B and 576G) means a company which has one or more 51% subsidiaries together with that or those subsidiaries,

“holding company” means a company whose business consists wholly or mainly in the holding of shares or securities of companies which are its 51% subsidiaries,

“investment company” has the meaning given by section 130 except that it does not include the holding company of a trading group,

“registered industrial and provident society” means a society registered or treated as registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) Act 1969,

“shares”—

- (a) includes stock, but
- (b) does not include shares or stock not forming part of a company's ordinary share capital,

“trading company” means a company other than an excluded company which is—

- (a) a company whose business consists wholly or mainly of the carrying on of a trade or trades, or
- (b) the holding company of a trading group, and

“trading group” means a group the business of whose members, when taken together, consists wholly or mainly in the carrying on of a trade or trades.

(2) Except as provided by subsection (3), paragraph (b) of the definition of “shares” in subsection (1) does not apply in the definition of “excluded company” in subsection (1) or in section 576J(1) to (4).

(3) Paragraph (b) of that definition applies in relation to the first reference to “shares” in section 576J(1).

(4) The definition of “shares” in subsection (1) does not apply in sections 576B(5)(a), 576G(3) and 576H(1)(c) and (2).

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- (5) For the purposes of the definition of “trading group” in subsection (1), any trade carried on by a subsidiary which is an excluded company is treated as not constituting a trade.”

133 Omit section 581A (interest on foreign currency securities etc).

F21 134

Textual Amendments

F21 Sch. 1 para. 134 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

135 Omit section 582A (designated international organisations: miscellaneous exemptions).

136 Omit section 587A (new issues of securities: extra return).

137 (1) Amend section 587B (gifts of shares, securities and real property to charities etc) as follows.

(2) In subsection (1)—

- (a) for “Subsections (2) and (3) below apply” substitute “ Subsection (2) below applies ”, and
(b) for “an individual, or a company which is not itself a charity,” substitute “ a company which is not itself a charity ”.

(3) In subsection (2)—

- (a) omit paragraph (a)(i),
(b) in paragraph (a)(ii) omit “in the case of a disposal by a company,”,
(c) in paragraph (b) omit the words from “of this Act” to the end, and
(d) omit the words from “but paragraph (a)(i)” to the end.

(4) Omit subsection (3).

(5) In subsection (5)—

- (a) for “the person” substitute “ the company ”, and
(b) for “him” substitute “ it ”.

(6) In subsection (6) for “person” substitute “ company ”.

(7) In subsection (7)(a) for “person” substitute “ company ”.

F22 (8)

(9) In subsection (8B)(a)—

- (a) for “the person” substitute “ the company ”, and
(b) for “him” substitute “ it ”.

(10) In subsection (9)—

- (a) for the definitions of “authorised unit trust” and “open-ended investment company” substitute—

““authorised unit trust” has the meaning given by section 468;”

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- (b) in the definition of “charity” for “each of the bodies mentioned in section 507(1);” substitute “—
- (a) the Trustees of the National Heritage Memorial Fund;
 - (b) the Historic Buildings and Monuments Commission for England; and
 - (c) the National Endowment for Science, Technology and the Arts;”
- (c) in the definition of “the incidental costs of making the disposal to the person making it” for “person” substitute “ company ”, and
- (d) after the definition of “offshore fund” insert—
- ““open-ended investment company” is to be read in accordance with section 468A(2) to (4);”.

(11) In subsection (9B)—

- (a) for “person”, in both places where it occurs, substitute “ company ”, and
- (b) for “his”, in both places where it occurs, substitute “ its ”.

(12) In subsection (9C)—

- (a) for “a person, who” substitute “ a company, which ”, and
- (b) for “the person” substitute “ the company ”.

(13) In subsection (12) for “section 587C” substitute “ sections 587BA and 587C ”.

Textual Amendments

F22 Sch. 1 para. 137(8) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(10\)](#)

138 After section 587B insert—

“587BA Qualifying interests in land held jointly

- (1) This section applies for the purposes of section 587B where a qualifying investment is a qualifying interest in land.
- (2) Where two or more persons (“the owners”)—
 - (a) are jointly beneficially entitled to the qualifying interest in land, or
 - (b) are, taken together, beneficially entitled in common to the qualifying interest in land,relief under section 587B is available if at least one of the owners is a qualifying company and all the owners dispose of the whole of their beneficial interests in the qualifying interest in land to the charity.
- (3) Subsection (4) applies if one or more of the owners is not a company.
- (4) For the purpose of determining whether the owners' beneficial interests are disposed of as mentioned in subsection (2), section 587B(9B) and (9C) applies as if references to a company included a reference to a person who is not a company.
- (5) Relief under section 587B is available to each of the owners which is a qualifying company.

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- (6) If one or more of the owners is an individual—
- (a) the relevant amount is taken to be the relievable amount calculated for the purposes of Chapter 3 of Part 8 of ITA 2007, and
 - (b) the amount of relief under section 587B to be given to a qualifying company is such share of the relievable amount as is allocated to the company by the agreement mentioned in section 442(5) of ITA 2007.
- (7) Subsections (8) to (12) apply if none of the owners is an individual.
- (8) The amount of relief under section 587B to be given to a qualifying company is such share of the relevant amount as is allocated to the company by an agreement made between those owners which are qualifying companies.
- (9) Calculate the relevant amount as if—
- (a) the owners were a single qualifying company, and
 - (b) the disposals of the owners' beneficial interests were a single disposal by that single company of the whole of the beneficial interest in the qualifying interest in land.
- (10) In particular, for the purposes of section 587B(7) calculate the consideration for which the disposal is made by virtue of section 257(2)(a) of the 1992 Act by—
- (a) calculating, for each owner, the consideration for which the disposal of the owner's beneficial interest is so made, and
 - (b) adding together all the consideration calculated under paragraph (a).
- (11) If one or more of the owners is not a qualifying company, in calculating the relevant amount make just and reasonable adjustments to reduce the relevant amount to reflect the fact that relief under section 587B is not available to that owner or to those owners.
- (12) If one or more of the owners is within paragraph (b) of section 587B(8), in calculating the relevant amount make just and reasonable adjustments to reduce the relevant amount to reflect the requirements of sub-paragraph (ii) of that paragraph.
- (13) A company is a qualifying company if—
- (a) it is not itself a charity, and
 - (b) it is not within section 587B(8)(a)."
- 139 (1) Amend section 587C (supplementary provision for gifts of real property) as follows.
- (2) Omit subsections (2) and (3).
 - (3) In subsection (4)—
 - (a) for “person” substitute “ company ”, and
 - (b) for “he” substitute “ it ”.
 - (4) In subsection (6)—
 - (a) for “person (or each of the persons) who made the disposal to the charity” substitute “ following ”, and
 - (b) at the end insert—

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- (a) in a case to which section 587BA does not apply, the company which made the disposal, and
 - (b) in a case to which section 587BA applies, each qualifying company which is an owner.”
- (5) In subsection (8) for the words from “the person” to “of them)” substitute “ a person mentioned in subsection (8A) ”.
- (6) After that subsection insert—
- “(8A) The persons are—
- (a) in a case to which section 587BA does not apply—
 - (i) the company which made the disposal, or
 - (ii) a person connected with that company, and
 - (b) in a case to which section 587BA applies—
 - (i) a person who is an owner, or
 - (ii) a person connected with such a person.”
- (7) In subsection (10)—
- (a) omit paragraph (a) and the “and” immediately after it, and
 - (b) in paragraph (b) omit “in the case of a company,”.
- 140 In section 615(3) (exemption from tax in respect of certain pensions) for “section 349(1)” substitute “ Chapter 6 of Part 15 of ITA 2007 (deduction from annual payments and patent royalties) ”.
- F23 141

Textual Amendments

F23 Sch. 1 para. 141 omitted (21.7.2008 with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 14 para. 17\(o\)](#)

- 142 In section 658(4)(b) (supplementary) omit “(notwithstanding anything in section 348)”.
- 143 In section 659E(1) (treatment of income from property investment LLPs) at the end insert “ (see section 1004 of ITA 2007) ”.
- 144 Omit section 660C(3) (nature of charge on settlor).
- 145 Omit sections 685A to 687 (liability of trustees).
- 146 (1) Amend section 687A (discretionary payments made by trustees to companies) as follows.
- (2) In subsection (1) for paragraph (b) substitute—

“(b) sections 494 and 495 of ITA 2007 apply in relation to the payment;”.
 - (3) In subsection (2)(a) for “charity” substitute “ charitable company ”.
 - (4) In subsection (3)—
 - (a) in paragraph (a)(iii) for “paragraph 5(1) of Schedule 16” substitute “ section 952 of ITA 2007 (set off of income tax suffered against income tax payable) ”, and

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- (b) in paragraph (c) for “section 687(2)” substitute “ section 494 of ITA 2007 ”.
- (5) In the sidenote for “Payments to companies under section 687” substitute “ Discretionary payments by trustees to companies ”.
- 147 Omit section 689A (disregard of trustees' expenses where beneficiary non-UK resident).
- 148 (1) Amend section 689B (order in which trustees' expenses are to be set against income) as follows.
 - (2) In subsection (3) for the words from “to which section 1A applies” to the end substitute “ of the trustees which is savings income (within the meaning of section 18 of ITA 2007). ”
 - (3) Omit subsection (4).
 - (4) At the end insert—
 - “(5) This section applies for corporation tax purposes only.”
- 149 Omit sections 690 to 694.
- 150 Omit section 698A.
- ^{F24}151

Textual Amendments
F24 Sch. 1 para. 151 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

^{F25}152

Textual Amendments
F25 Sch. 1 para. 152 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

- 153 In the heading for Chapter 1 of Part 17 (cancellation of tax advantages from certain transactions in securities) for “TAX” substitute “ CORPORATION TAX ”.
- 154 (1) Amend section 703 (cancellation of tax advantage) as follows.
 - (2) In subsection (1)—
 - (a) for “person” substitute “ company ”,
 - (b) for “tax”, in both places where it occurs, substitute “ corporation tax ”,
 - (c) for “he” substitute “ it ”, and
 - (d) for “him” substitute “ it ”.
 - (3) In subsection (2)—
 - (a) for “tax” substitute “ corporation tax ”,
 - (b) for “person” substitute “ company ”, and
 - (c) for “him” substitute “ it ”.
 - (4) In subsection (3)—

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- (a) for “tax advantage”, in both places where it occurs, substitute “ corporation tax advantage ”,
 - (b) for “person” substitute “ company ”,
 - (c) for “him”, in both places where it occurs, substitute “ it ”,
 - (d) omit “in the case of corporation tax”, and
 - (e) for “liability to tax” substitute “ liability to corporation tax ”.
- (5) Omit subsection (3A).
- (6) In subsection (9)—
- (a) for “person”, in both places where it occurs, substitute “ company ”,
 - (b) for “him”, wherever it occurs, substitute “ it ”, and
 - (c) for “his” substitute “ its ”.
- (7) In subsection (10) for “person” substitute “ company ”.
- (8) Omit subsection (11).
- (9) In subsection (12)—
- (a) for “tax advantage”, in both places where it occurs, substitute “ corporation tax advantage ”,
 - (b) for “chargeable period”, in the second place where it occurs, substitute “ accounting period ”, and
 - (c) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (10) In the sidenote for “tax” substitute “ corporation tax ”.
- 155 (1) Amend section 704 (the prescribed circumstances) as follows.
- (2) After “The circumstances mentioned in section 703(1) are” insert “ as follows (and in this section references to “the section 703(1) company” are references to the company referred to in that section) ”.
- (3) In paragraph A—
- (a) for “person in question” substitute “ section 703(1) company ”,
 - (b) in paragraph (a) for “tax” substitute “ corporation tax ”, and
 - (c) omit from “, or” at the end of paragraph (da) to the end of paragraph (g).
- ^{F26}(4)
- ^{F27}(5)
- (6) In paragraph C(1)—
- (a) for “person in question”, in both places where it occurs, substitute “ section 703(1) company ”,
 - ^{F28}(b)
 - (c) for “he” substitute “ it ”.
- (7) In paragraph D(1) for “person in question” substitute “ section 703(1) company ”.
- (8) In paragraph E—
- (a) in sub-paragraph (1) for “person in question” substitute “ section 703(1) company ”,
 - (b) in sub-paragraph (2)—

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- (i) for “person” substitute “ company ”,
- (ii) for “tax”, in both places where it occurs, substitute “ corporation tax ”, and
- (iii) for “the year” substitute “ the accounting period ”, and
- (c) in the definition of “non-taxable” in sub-paragraph (3)—
 - (i) for “person” substitute “ section 703(1) company ”, and
 - (ii) for “tax” substitute “ corporation tax ”.

Textual Amendments

- F26** Sch. 1 para. 155(4) omitted (21.7.2008 with effect in accordance with s. 66(5) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), s. [66\(3\)\(b\)](#)
- F27** Sch. 1 para. 155(5) omitted (21.7.2008 with effect in accordance with s. 66(5) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), s. [66\(3\)\(b\)](#)
- F28** Sch. 1 para. 155(6)(b) omitted (21.7.2008 with effect in accordance with s. 66(5) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), s. [66\(3\)\(b\)](#)

- 156 (1) Amend section 705 (appeals against Board's notices under section 703) as follows.
- (2) In subsection (1)—
 - (a) for “person to whom” substitute “ company to which ”, and
 - (b) for “him” substitute “ it ”.
 - (3) In subsection (2)—
 - (a) for “he”, in the first place where it occurs, substitute “ the company ”, and
 - (b) for “he or they” substitute “ the company or the Board ”.
- 157 (1) Amend section 705A (statement of case by tribunal for opinion of High Court) as follows.
- (2) In subsections (1) and (2) for “his” substitute “ its ”.
 - (3) In subsection (3) for “he” substitute “ that party ”.
 - (4) In subsection (5)—
 - (a) for “he” and “the party requiring it” substitute “ that party ”, and
 - (b) for “his” substitute “ that party's ”.
 - (5) In subsections (10) and (11)(a) and (b) for “tax” substitute “ corporation tax ”.
- 158 In section 705B(1) (proceedings in Northern Ireland) for the words from “the Taxes Acts” to “shall have effect” substitute “ the Management Act and the Corporation Tax Acts shall have effect ”.
- 159 (1) Amend section 707 (procedure for clearance in advance) as follows.
- (2) In subsection (1)—
 - (a) for “person”, wherever it occurs, substitute “ company ”, and
 - (b) for “him”, wherever it occurs, substitute “ it ”.
 - (3) In subsection (3) for “person” substitute “ company ”.
- 160 In section 708 (power to obtain information)—
- (a) for “person”, in both places where it occurs, substitute “ company ”,

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- (b) for “whom” substitute “ which ”,
 - (c) for “him”, wherever it occurs, substitute “ it ”, and
 - (d) for “his” substitute “ its ”.
- 161 (1) Amend section 709 (meaning of “tax advantage” and other expressions) as follows.
- (2) In subsection (1) for “tax”, in each place where it occurs, substitute “ corporation tax ”.
 - (3) In subsection (4)(a) for “he”, in both places where it occurs, substitute “ the recipient ”.
 - (4) In subsection (6)(a)—
 - (a) for “he”, in both places where it occurs, substitute “ the recipient ”, and
 - (b) for “him” substitute “ the recipient ”.
 - (5) In the sidenote for “ “tax advantage”” substitute “corporation tax advantage” .
- 162 Omit sections 710 to 727A (accrued income scheme).
- 163 (1) Amend section 728 (information) as follows.
- (2) In subsection (1) for “sections 710 to 727A” substitute “ Part 12 of ITA 2007 (accrued income profits) ”.
 - (3) In subsection (2) omit the words from “In relation to transactions before” to the end.
 - (4) In subsection (5) for “sections 710 to 727A” substitute “ Part 12 of ITA 2007 (accrued income profits) ”.
 - (5) After subsection (8) insert—
 - “(9) In this section “securities” has the meaning given by section 619 of ITA 2007.”

F29 164

Textual Amendments
F29 Sch. 1 paras. 164-166 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

F29 165

Textual Amendments
F29 Sch. 1 paras. 164-166 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

F29 166

Textual Amendments
F29 Sch. 1 paras. 164-166 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

F30 167

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Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Part 1. (See end of Document for details)

Textual Amendments

F30 Sch. 1 paras. 167-170 omitted (21.7.2008 with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 66\(4\)\(I\)\(viii\)](#)

^{F30}168

Textual Amendments

F30 Sch. 1 paras. 167-170 omitted (21.7.2008 with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 66\(4\)\(I\)\(viii\)](#)

^{F30}169

Textual Amendments

F30 Sch. 1 paras. 167-170 omitted (21.7.2008 with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 66\(4\)\(I\)\(viii\)](#)

^{F30}170

Textual Amendments

F30 Sch. 1 paras. 167-170 omitted (21.7.2008 with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 66\(4\)\(I\)\(viii\)](#)

- 171 (1) Amend section 736B (deemed manufactured payments in the case of stock lending arrangements) as follows.
- (2) In subsection (2)—
 - (a) after “that Schedule” insert “, and section 97 of the Finance Act 1996 (loan relationships: manufactured interest), ”, and
 - (b) after “apply” insert “ for corporation tax purposes ”.
- (3) In subsection (2A)—
 - (a) in paragraph (a) omit “income tax or”, and
 - (b) in paragraph (b) omit “total income or, as the case may be,”.

^{F31}172

Textual Amendments

F31 Sch. 1 para. 172 omitted (retrospective and with effect in accordance with Sch. 24 paras. 12, 13-16 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 24 paras. 9\(e\), 12](#)

^{F32}173

Textual Amendments

F32 Sch. 1 para. 173 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

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F33 174

Textual Amendments

F33 Sch. 1 para. 174 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

F34 175

Textual Amendments

F34 Sch. 1 para. 175 omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 17 para. 35\(2\)\(c\)](#)

176 (1) Amend section 737E (power to modify sections 727A, 730A, 730BB and 737A to 737C) as follows.

(2) In subsections (1) and (2) omit “727A,”.

(3) In subsections (4) and (6)(b) omit “or 263D”.

(4) In the sidenote omit “727A,”.

177 Omit sections 739 to 746 (transfer of assets abroad).

178 In section 747(4) (imputation of chargeable profits and creditable tax of controlled foreign companies) omit paragraph (b) and the “and” immediately before it.

179 (1) Amend section 761 (offshore income gains) as follows.

(2) In subsection (6)—

(a) for “charity” in the first place where it occurs, substitute “charitable company”,

(b) for “tax” substitute “corporation tax”, and

(c) omit the words from “; but” to the end.

(3) After that subsection insert—

“(6A) See section 535 of ITA 2007 for an exemption for income tax purposes for offshore income gains accruing to a charitable trust.

(6B) If property held on charitable trusts ceases to be subject to charitable trusts and that property represents directly or indirectly an offshore income gain, the trustees shall be treated as if they had disposed of and immediately reacquired that property for a consideration equal to its market value, any gain (calculated in accordance with Schedule 28) accruing being treated as an offshore income gain not accruing to a charity.

(6C) In this section “charity” and “charitable company” have the same meaning as in section 506 and “market value” has the same meaning as in the 1992 Act.”

180 In section 762 (offshore income gains accruing to persons resident or domiciled abroad)—

(a) in subsection (5)—

(i) in paragraph (a) for “sections 739 and 740” substitute “Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad)”, and

(ii) in paragraph (b) for “those sections” substitute “that Chapter”, and

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- (b) in subsection (6) for “section 739 or 740 above” substitute “ Chapter 2 of Part 13 of ITA 2007 ”.
- 181 In section 763 (deduction of offshore income gain in determining capital gain) for subsection (8) substitute—
- “(8) For the purposes of subsection (7)(b) above, whether the person who made the disposal is connected with another person is determined in accordance with section 839.”
- 182 Omit section 775 (sale by individual of income derived from his personal activities).
- ^{F35}183

Textual Amendments

F35 Sch. 1 para. 183 omitted (with effect in accordance with Sch. 25 para. 10 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 25 para. 9(3)(h)(ii)**

- 184 (1) Amend section 776 (transactions in land: taxation of capital gains) as follows.
- (2) In subsection (1) for “persons” substitute “ companies ”.
- (3) In subsection (3)—
- (a) for “Tax Acts” substitute “ Corporation Tax Acts ”, and
- (b) for “person by whom” substitute “ company by which ”.
- (4) In subsection (3A) omit paragraph (a).
- (5) Omit subsection (3B).
- (6) In subsection (6)—
- (a) in paragraph (a)—
- (i) omit “Part 2 of ITTOIA 2005 or”, and
- (ii) for “person” substitute “ company ”, and
- (b) in paragraph (b) omit from “section 158” to “be”.
- (7) In subsection (7)—
- (a) omit “Part 2 of ITTOIA 2005 or”, and
- (b) for “person who” substitute “ company which ”.
- (8) In subsection (8)—
- (a) for “some other person” substitute “ another person which is a company ”, and
- (b) for “that other person” substitute “ that company ”.
- (9) Omit subsection (9).
- (10) In subsection (11)—
- (a) for “person” wherever it occurs substitute “ company ”,
- (b) for “who” substitute “ which ”,
- (c) for “he”, in the first two places where it occurs, substitute “ it ”, and
- (d) for “his”, in the first place where it occurs, substitute “ its ”.
- 185 (1) Amend section 777 (provisions supplementary to sections 775 and 776) as follows.

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- (2) In subsection (1) for the words from “sections 775” to the end substitute “ section 776 ”.
- (3) In subsection (2)—
- (a) for “the relevant provisions” substitute “ section 776 and this section ”, and
 - (b) for “sections 775 and 776” substitute “ section 776 ”.
- (4) In subsection (4) for “the relevant provisions” substitute “ section 776 and this section ”.
- (5) In subsection (6)—
- (a) for “the relevant provisions” substitute “ section 776 and this section ”, and
 - (b) for “sections 775 and 776” substitute “ section 776 ”.
- (6) In subsection (7) for “the relevant provisions” to “receipts)” substitute “ section 776 and this section ”.
- (7) In subsection (8)—
- (a) for “a person” substitute “ a company ”,
 - (b) for “tax under the relevant provisions” substitute “ corporation tax under section 776 ”,
 - (c) in paragraph (a) for “he”, in both places where it occurs, substitute “ it ”,
 - (d) in paragraph (b) for “the person”, in both places where it occurs, substitute “ the company ”, and
 - (e) omit the second sentence.
- (8) Omit subsection (9).
- (9) In subsection (10) for “Sections 775 and 776 have” substitute “ Section 776 has ”.
- (10) In subsection (11) for “person” substitute “ company ”.
- (11) For subsection (12) substitute—
- “(12) Where under section 776(8) the company charged to corporation tax is not the person (“P”) by whom the gain was realised and the tax has been paid, then for the purposes of sections 37 and 39 of the 1992 Act (profits taxable as income excluded from tax on chargeable gains) P shall be regarded as having been charged to that tax.”
- (12) In subsection (13)—
- (a) for “the relevant provisions” substitute “ section 776 and this section ”,
 - (b) for “ “capital amount”” to “accordingly” substitute—
 - ““capital”, in relation to a gain, means that, apart from section 776, the gain does not fall to be included in any calculation of income for corporation tax purposes;”, and
 - (c) omit the words from “and any” to the end.
- (13) In the sidenote for “sections 775 and 776” substitute “ section 776 ”.
- 186 In section 778 (power to obtain information)—
- (a) in subsection (1) for “sections 775 and 776” substitute “ section 776 ”.
 - (b) in subsection (2)(b)—

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- (i) for “sections 775 and 776” substitute “ section 776 ”, and
(ii) for “those sections” substitute “ that section ”.
- 187 In section 779(13)(ca) (sale and lease-back: limitation on tax reliefs)—
(a) for “section 836B” substitute “ section 1016 of ITA 2007 ”, and
(b) for “section 392” substitute “ section 152 of ITA 2007 ”.
- 188 In section 780 (sale and lease-back: taxation of consideration received) after subsection (3B) insert—
“(3C) An amount charged to income tax by virtue of subsection (3A)(a) above is treated for income tax purposes as an amount of income.”
- 189 (1) Amend section 781 (assets leased to traders and others) as follows.
(2) After subsection (1) insert—
“(1A) An amount charged to income tax under subsection (1) above is treated for income tax purposes as an amount of income.”
(3) In subsection (4)(ab)—
(a) for “section 836B” substitute “ section 1016 of ITA 2007 ”, and
(b) for “section 392” substitute “ section 152 of ITA 2007 ”.
- 190 In section 785 (definitions for the purposes of sections 781 to 784) in the definition of “capital sum” for “section 836B” substitute “ section 1016 of ITA 2007 ”.
- F³⁶191

Textual Amendments

F36 Sch. 1 para. 191 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

- 192 In section 793 (reduction of United Kingdom taxes by amount of credit due) after subsection (2) insert—
“(3) Credit against income tax is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 193 (1) Amend section 796 (limits on credit for foreign tax: income tax) as follows.
(2) In subsection (1) after “Income Tax Acts” insert “ , except a reduction under section 26 of FA 2005 ”.
(3) After subsection (2) insert—
“(2A) See section 29(2) and (3) of ITA 2007 (tax reductions limited by reference to tax liability) for further limits on the total amount of credit for foreign tax to be allowed to a person against income tax.”
- [^{F37}(4) In subsection (3) for “less any income tax which he is entitled to charge against any other person” substitute “less the total amount of the tax treated under section 414 of ITA 2007 (gift aid) as deducted from gifts made by him in that year”.]
- [^{F38}(5) [^{F39}Sub-paragraphs (2) and (3) do not] have effect in relation to section 796 as applied by section 277(1) of TCGA 1992 (application of double taxation relief provisions for capital gains purposes).]

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Textual Amendments

- F37** Sch. 1 para. 193(4) substituted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by [The Income Tax Act 2007 \(Amendment\) \(No. 2\) Order 2009 \(S.I. 2009/2859\)](#), **art. 4(6)(a)**
- F38** Sch. 1 para. 193(5) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [Income Tax Act 2007 \(Amendment\) \(No.3\) Order 2007 \(S.I. 2007/3506\)](#), arts. 1(1), **3(5)**
- F39** Words in Sch. 1 para. 193(5) substituted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by [The Income Tax Act 2007 \(Amendment\) \(No. 2\) Order 2009 \(S.I. 2009/2859\)](#), **art. 4(6)(b)**

- 194 In section 798C (disallowed credit: use as deduction) for subsection (2) substitute—
- “(2) The taxpayer's income shall be treated as reduced by the amount of disallowed credit.
- (3) Subsection (2) applies only in so far as the amount of disallowed credit does not exceed the amount of any loss attributable to the income or gain in respect of which the foreign tax was paid.
- (4) For the purpose of subsection (3), payment of the foreign tax is to be taken into account despite section 795(2).”
- 195 In section 801A (restriction of relief for underlying tax) for subsection (9) substitute—
- “(9) For the purposes of this section, whether a person is connected with another is determined in accordance with section 839.”
- 196 In section 803(10) (underlying tax reflecting interest on loans) for “section 839” to the end substitute “, for the purposes of that subsection, whether a company is connected with a bank is determined in accordance with section 839.”
- 197 (1) Amend section 804 (relief against income tax in respect of income arising in years of commencement) as follows.
- (2) In subsection (5B)(a) for the words from “be treated” to “excess” substitute “ be chargeable for that year to an amount of income tax equal to the excess ”.
- (3) Omit subsection (6).
- 198 (1) Amend section 807 (sale of securities with or without accrued interest) as follows.
- (2) In subsection (1)(a) for “section 714(2) as receiving annual profits or gains on the day an interest period ends” substitute “ section 628(5) of ITA 2007 as making accrued income profits in an interest period ”.
- (3) In subsection (1)(b) for “chargeable period in which the day falls” substitute “ tax year in which the accrued income profits are treated as made by virtue of section 617(2) of that Act ”.
- (4) In the full-out words of subsection (1)—
- (a) for “profits or gains”, in each place where it occurs, substitute “ accrued income profits ”, and
- (b) omit “or corporation tax”.

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- (5) In subsection (2)(b) for “which is treated as reduced by virtue of section 714(5)” substitute “as respects which the person is entitled to an exemption from liability to income tax under section 679 of ITA 2007”.
- (6) In subsection (2) for “R is the amount by which it is treated as reduced” substitute “R is the amount of the exemption”.
- (7) For subsection (5) substitute—
- “(5) Expressions used in this section and in Chapter 2 of Part 12 of ITA 2007 (accrued income profits) have the same meaning as in that Chapter.”
- (8) Omit subsection (6).
- 199 In section 809(1)(a) (relief in respect of discretionary trusts) for the words from the beginning to “687(2)” substitute “income tax is treated under section 494 of ITA 2007 as having been paid in relation to a payment made by the trustees of a settlement”.
- 200 In section 811(2) (deduction for foreign tax where no credit allowable)—
- (a) insert “and” immediately after paragraph (a), and
- (b) omit paragraph (b) and the “and” immediately after it.
- 201 In section 812(5) (withdrawal of right to tax credit of certain non-resident companies connected with unitary states) for paragraph (c) substitute—
- “(c) whether a person is connected with another is determined in accordance with section 839;”.
- 202 In section 816 (disclosure of information)—
- (a) in subsection (3) after “bank” insert “(within the meaning of that subsection)”, and
- (b) omit subsection (3A).
- 203 Omit section 818 (arrangements for payments of interest less tax or of fixed net amount).
- 204 Omit section 819 (old references to standard rate tax).
- 205 In section 821(3) (under-deductions from payments made before passing of annual Act)—
- (a) for paragraph (a) substitute—
- “(a) any payment to which section 906 of ITA 2007 applies (certain royalties etc where usual place of abode of owner is abroad), and”, and
- (b) omit paragraph (aa) and the “and” immediately after it.
- 206 Omit section 823 (adjustments of reliefs where given at different times).
- 207 Omit section 827A (territorial scope of charges under certain provisions to which section 836B applies).
- 208 (1) Amend section 828 (orders and regulations made by the Treasury or the Board) as follows.
- (2) In subsection (1) for “other provision of the Tax Acts” substitute “provision of the Corporation Tax Acts not contained in this Act”.
- (3) In subsection (2) omit “841(1)(b) or”.

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- (4) In subsection (3) for “other provision of the Tax Acts” substitute “ provision of the Corporation Tax Acts not contained in this Act ”.
- (5) In subsection (4)—
- (a) omit “1(6),”
 - (b) omit “257C, 582A(1),” and
 - (c) omit “or section 82(4)(d) of the Capital Allowances Act”.
- (6) In subsection (5)—
- (a) before “section 717 of ITEPA 2003” insert “ section 570B of the Capital Allowances Act or ”,
 - (b) omit “or section 873 of ITTOIA 2005”,
 - (c) in paragraph (a) after “regulations under” insert “ the Capital Allowances Act or ”, and
 - (d) in paragraph (a) omit “or ITTOIA 2005”.
- 209 Omit section 829 (application of Income Tax Acts to public departments and avoidance of exempting provisions).
- 210 In section 830(1) (territorial sea) omit “income tax and”.
- 211 In section 831(3) (interpretation of ICTA) after the definition of “ITTOIA 2005” insert—
- ““ITA 2007” means the Income Tax Act 2007;”.
- 212 (1) Amend section 832 (interpretation of the Tax Acts) as follows.
- (2) In subsection (1)—
- (a) for “In the Tax Acts, except” substitute “ In the Corporation Tax Acts, except ”,
 - (b) omit the definitions of “basic rate” and “basic rate limit”,
 - (c) omit the definition of “higher rate”,
 - (d) omit the definition of “industrial assurance business”,
 - (e) omit the definition of “interest”,
 - (f) omit the definitions of “investment LLP” and “property investment LLP”,
 - (g) omit the definition of “lower rate”,
 - (h) in the definition of “notice” omit “or in a form authorised (in relation to the case in question) by directions under section 118 of the Finance Act 1998”,
 - (i) in the definition of “overseas property business” omit paragraph (a) and, in paragraph (b), omit “for the purposes of corporation tax,”,
 - (j) omit the definition of “preference dividend”,
 - (k) in the appropriate place insert—
- ““property investment LLP” has the meaning given by section 842B;”,
- (l) omit the definition of “the rate applicable to trusts”,
 - (m) omit the definition of “relevant foreign income”,
 - (n) omit the definitions of “starting rate” and “starting rate limit”,
 - (o) omit the definition of “step-child”,
 - (p) in the definition of “tax credit”, in paragraph (a) omit “for the purposes of corporation tax” and omit paragraph (b),

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- (q) omit the definitions of “the dividend ordinary rate”, “the dividend trust rate” and “the dividend upper rate”,
- (r) omit the definition of “UK property business”, and
- (s) for the definition of “unit trust scheme” substitute—
- ““unit trust scheme” has the same meaning as in the Income Tax Acts (see section 1007 of ITA 2007);”.
- (3) After subsection (2) insert—
- “(2A) Chapter 2 of Part 9 of ITA 2007 (which relates to settlements and trustees) applies for the purposes of the Corporation Tax Acts as it applies for the purposes of the Income Tax Acts.”
- (4) In subsection (4A) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (5) Omit subsection (5).
- (6) In the sidenote for “Tax Acts” substitute “ Corporation Tax Acts etc ”.
- 213 Omit section 833 (interpretation of the Income Tax Acts).
- 214 In section 834(1) (interpretation of the Corporation Tax Acts), at the end insert—
- ““venture capital trust” has the same meaning as in Part 6 of ITA 2007.”
- 215 Omit section 835 (“total income” in the Income Tax Acts).
- 216 Omit section 836 (returns of total income).
- 217 Omit section 836B (table of provisions to which that section applies).
- 218 Omit section 837 (“annual value” of land).
- 219 (1) Amend section 837A (meaning of “research and development”) as follows.
- (2) In subsection (1) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (3) In subsection (2) for “regulations under subsection (3)” substitute “ subsections (2A) and (2B) ”.
- (4) For subsections (3) and (4) substitute—
- “(2A) Activities that, as a result of regulations made under section 1006 of ITA 2007, are “research and development” for the purposes of that section are also “research and development” for the purposes of this section.
- (2B) And activities that, as a result of any such regulations, are not “research and development” for the purposes of that section are also not “research and development” for the purposes of this section.”
- 220 In section 837B(1) (meaning of “oil and gas exploration and appraisal”) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 221 In section 837C(1) and (5) (meaning of “offshore installation”) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 222 In section 838(1) (subsidiaries) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 223 (1) Amend section 839 (connected persons) as follows.
- (2) In subsection (1) for “Tax Acts” substitute “ Corporation Tax Acts ”.

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- (3) In subsection (3B)(b) for the words from “in whom” to “vested” substitute—
- “(i) in whom the property comprised in the settlement is for the time being vested, or
 - (ii) in whom the management of that property is for the time being vested.”.
- 224 In section 840 (meaning of “control” in certain contexts) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 225 After section 840 insert—

“840ZA Meaning of “tax advantage”

- (1) In any provision of the Corporation Tax Acts in relation to which it is provided that “tax advantage” has the meaning given by this section, “tax advantage” means—
- (a) a relief from tax or increased relief from tax,
 - (b) a repayment of tax or increased repayment of tax,
 - (c) the avoidance or reduction of a charge to tax or an assessment to tax, or
 - (d) the avoidance of a possible assessment to tax.
- (2) For the purposes of subsection (1)(c) and (d) it does not matter whether the avoidance or reduction is effected—
- (a) by receipts accruing in such a way that the recipient does not pay or bear tax on them, or
 - (b) by a deduction in calculating profits or gains.
- (3) In this section “relief from tax” includes—
- (a) a tax credit under section 231 for the purposes of corporation tax, and
 - (b) a tax credit under section 397(1) of ITTOIA 2005 for the purposes of income tax.”
- 226 In section 840A(1) (banks)—
- (a) after “In any provision” insert “ of the Corporation Tax Acts ”, and
 - (b) after paragraph (c) insert—
“(ca) the European Investment Bank; or”.

F40 227

Textual Amendments

F40 Sch. 1 para. 227 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 6\(5\)](#)

- 228 In section 842(1) (investment trusts) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 229 Omit section 842AA (venture capital trusts).
- 230 In section 842A(1) (meaning of “local authority”) for “Tax Acts” substitute “ Corporation Tax Acts ”.

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- 231 (1) Amend section 842B (meaning of “investment LLP” and “property investment LLP”) as follows.
- (2) In subsection (1)—
- (a) for “this Act” substitute “ the Corporation Tax Acts ”, and
- (b) omit paragraph (a) and the “and” immediately after it.
- (3) In subsection (2) omit “an investment LLP or”.
- (4) In the sidenote omit “ “investment LLP” and”.
- 232 (1) Amend Schedule 14 (provisions ancillary to section 266) as follows.
- ^{F41}(2)
- (3) In paragraph 6(1) for “subsections (6) and (7)” substitute “ subsection (7) ”.
- (4) In paragraph 8 after sub-paragraph (3) insert—
- “(3A) In sub-paragraph (3) “industrial assurance business” means any industrial assurance business within the meaning given by—
- (a) section 1(2) of the Industrial Assurance Act 1923, or
- (b) Article 3(1) of the Industrial Assurance (Northern Ireland) Order 1979,
- which was carried on before 1 December 2001.”

Textual Amendments

F41 Sch. 1 para. 232(2) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 1 para. 6(o)(vi)**

- 233 In Part 1 of Schedule 15 (qualifying policies for the purposes of section 267) after paragraph 20 insert—
- “Meaning of “industrial assurance business”*
- 20A** In this Part of this Schedule “industrial assurance business” means any industrial assurance business within the meaning given by—
- (a) section 1(2) of the Industrial Assurance Act 1923, or
- (b) Article 3(1) of the Industrial Assurance (Northern Ireland) Order 1979,
- which was carried on before 1 December 2001.”
- 234 Omit Part 1 of Schedule 15B (venture capital trusts: relief from income tax).
- 235 Omit Schedule 16 (collection of income tax on company payments).
- 236 In paragraph 2(b) of Schedule 19B (petroleum extraction activities: exploration expenditure supplement) after “section 837B” insert “ of this Act and section 1003 of ITA 2007 ”.
- 237 (1) Amend Schedule 20 (charities: qualifying investments and loans) as follows.
- (2) In paragraph 8 for the words from “for corporation tax” to the end substitute “ section 56(5) ”.

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- (3) In paragraph 9(1) for “charity”, in both places where it occurs, substitute “charitable company”.
- (4) In paragraph 10(1)—
- (a) in paragraph (b) for “charity”, in both places where it occurs, substitute “charitable company”, and
 - (b) in paragraph (d) for “charity”, in both places where it occurs, substitute “charitable company”.
- (5) In the heading for “Charities” substitute “Charitable companies”.
- 238 (1) Amend Schedule 23A (manufactured dividends and interest) as follows.
- (2) In paragraph 1(1)—
- (a) omit the definition of “interest manufacturer”,
 - (b) in the definition of “manufactured dividend”, “manufactured interest” and “manufactured overseas dividend” omit “, “manufactured interest”” and “, 3”, and
 - (c) after that definition insert—
 - ““manufactured interest” means an amount—
 - (a) which is representative of a periodical payment of interest on United Kingdom securities, and
 - (b) which, under a contract or other arrangements for the transfer of the securities, one of the parties is required to pay to the other;”.
- (3) In paragraph 2 (manufactured dividends on UK equities: general)—
- (a) in sub-paragraph (2) before “Tax” insert “Corporation”,
 - (b) in sub-paragraph (3)(b) before “Tax” insert “Corporation”,
 - (c) omit sub-paragraph (3)(c) and the “and” immediately before it,
 - (d) in sub-paragraph (6)(a) omit “to which sub-paragraph (3) above applies”,
 - (e) in sub-paragraph (6) after paragraph (a) insert “, and
 - (aa) the dividend manufacturer is a non-UK resident company within the charge to corporation tax,”, and
 - (f) in sub-paragraph (7)(c) after “sub-paragraph (3)(b) above” insert “or section 573(2) of ITA 2007”.
- (4) Omit paragraphs 2A to 3A (deductibility of manufactured payment in case of manufacturer of UK equities; manufactured interest on UK securities: general; and manufactured interest on gilt-edged securities etc).
- (5) In paragraph 4 (manufactured overseas dividends)—
- (a) omit sub-paragraphs (2) to (3B),
 - (b) in sub-paragraph (4)—
 - (i) for “sub-paragraph (2) above” substitute “section 922(2) of ITA 2007 (amount of income tax to be deducted at source)”,
 - (ii) for “sub-paragraph (3) above” substitute “section 923 of that Act (income tax to be accounted for and paid)”,
 - (iii) for “Tax Acts” substitute “Corporation Tax Acts”,
 - (iv) omit the words from “as they apply” to “branch or agency in the United Kingdom”,

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- (v) in paragraph (a) for “persons” substitute “ companies ”, for “him” substitute “ the recipient ” and for “under sub-paragraph (2) above” substitute “ under section 922(2) of ITA 2007 ”, and
 - (vi) in paragraph (b) for “persons” substitute “ companies ” and for “him” substitute “ the recipient ”,
 - (c) in sub-paragraph (5) omit paragraph (a),
 - (d) omit sub-paragraph (6),
 - (e) omit sub-paragraphs (7) and (7AA), and
 - (f) in sub-paragraph (9) before “Tax” insert “ Corporation ”.
- (6) In paragraph 7 (irregular manufactured payments)—
- (a) in sub-paragraph (1)—
 - (i) omit “manufactured interest or”,
 - (ii) omit “3 or”,
 - (iii) omit “interest or”,
 - (iv) omit “, as the case may be” where it occurs for the first time,
 - (v) omit “, 3(1)”,
 - (vi) for “Tax Acts” substitute “ Corporation Tax Acts ”, and
 - (vii) for “paragraphs 2 or 3” substitute “ paragraph 2 ”,
 - (b) in sub-paragraph (1A) omit “manufactured interest or”,
 - (c) in sub-paragraph (3)—
 - (i) for “Tax Acts” substitute “ Corporation Tax Acts ”,
 - (ii) omit “3(1) or”,
 - (iii) omit “manufactured interest or”, and
 - (iv) omit “3 or”, and
 - (d) in sub-paragraph (4)(b) omit “or set off” and “income or”.
- (7) In paragraph 7A(10) for the definition of “tax advantage” substitute—
- ““tax advantage” has the meaning given by section 840ZA;”.
- (8) In paragraph 8 (dividend manufacturing regulations: general)—
- (a) in sub-paragraph (1)—
 - (i) omit “, manufactured interest” in both places where it occurs,
 - (ii) omit “, interest manufacturers”,
 - (iii) for “2 to 4” substitute “ 2 and 4 ”, and
 - (iv) before “Tax Acts” insert “ Corporation ”,
 - (b) in sub-paragraph (1A)—
 - (i) before “Tax Acts” insert “ Corporation ”, and
 - (ii) omit “or the 1992 Act”,
 - (c) in sub-paragraph (2)—
 - (i) omit paragraphs (c) and (d),
 - (ii) omit “or to”, and
 - (iii) omit “, manufactured interest or manufactured overseas dividends”,
 - (d) omit sub-paragraph (2A), and
 - (e) in sub-paragraph (3)—
 - (i) in paragraph (a) after “apply” insert “ for corporation tax purposes ”, and

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- (ii) omit paragraph (b).
- 239 In Schedule 28AA (provision not at arm's length) in paragraph 5(7) for paragraphs (a) and (b) substitute—
- “(a) disregarded income within the meaning given by section 813 of ITA 2007 (limits on liability to income tax of non-UK residents), or
 - (b) disregarded company income within the meaning given by section 816 of that Act.”
- 240 Omit Schedule 28B (venture capital trusts: meaning of “qualifying holding”).

Status:

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Changes to legislation:

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