

# CORPORATION TAX ACT 2010

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## EXPLANATORY NOTES

### INTRODUCTION

#### **Part 13: Other special types of company etc**

#### **Chapter 8: Self-build societies**

#### **Overview of Chapter**

2016. This Chapter rewrites section 489 of ICTA. It provides tax rules for self-build societies and an approvals process that underpins those rules. The approvals process has been modified significantly for Wales as a result of devolution. The draft legislation incorporates these effects on the face of the legislation.

#### **Section 650: Meaning of “self-build society”**

2017. This section sets out the meaning of “self-build society” for the purposes of the Chapter. It is based on section 489(11) of ICTA.

#### **Section 651: Disregard of rent from members**

2018. This section sets out that where a self-build society is approved and makes a claim, any rent that it receives from its members is ignored for tax purposes. It is based on section 489(1) and (11) of ICTA.

2019. The source legislation is based on tax years, but as these bodies are subject to corporation tax it is more appropriate to operate on the basis of accounting periods. Moving to this basis also brings the disregard for rent into line with the chargeable gains exemption in section 652. See *Change 46* in Annex 1.

#### **Section 652: Exemption for gains on disposals of land to members**

2020. This section exempts an approved society from corporation tax on chargeable gains on sales of property to its members. It is based on section 489(3) of ICTA.

#### **Section 653: Approval of self-build societies**

2021. This section sets out the process by which self-build societies become approved for the purposes of this Chapter. It is based on section 489(4), (5) and (12) of ICTA.

2022. Approvals under this section for self-build societies in Wales have been transferred to the Welsh Ministers by article 2 of and Schedule 1 to the National Assembly for Wales (Transfer of Functions) Order 1999 ([SI 1999/672](#)), and paragraphs 30(1) and (2) of Schedule 11 to the Government of Wales Act 2006. The effects of these modifications are included explicitly in this Chapter.

2023. In order to reflect changes in the responsibilities of the Department of the Environment and the Department for Social Development, the approvals process for Northern Ireland

refers to the Department for Social Development instead of the Department of the Environment for Northern Ireland. See *Change 47* in Annex 1.

2024. *Subsection (5)* provides a signpost to a saving provision in Schedule 2 concerning the concurrent exercise of these functions in relation to Wales by the Secretary of State and the Welsh Ministers where the society is a “cross-border body”.

#### ***Section 654: Delegation of powers to the Regulator of Social Housing***

2025. This section permits the Secretary of State’s functions under section 653 to be delegated to the Regulator of Social Housing. It is based on section 489(5A) of ICTA.
2026. The Housing and Regeneration Act 2008 established the Regulator of Social Housing in place of the Housing Corporation as the body responsible for regulating social housing in England. This section incorporates the prospective amendments made by paragraph 14 of Schedule 9 to the Housing and Regeneration Act 2008 which come into force from a day to be appointed by Order (section 325(1) of that Act). Until the Order is made this section is subject to the provisions for co-operative housing associations and self-build societies in Schedule 2.

#### ***Section 655: Claims under section 651 or 652***

2027. This section sets out the conditions that must be met for a claim under section 651 or 652 to be made. It is based on section 489(7) to (10) of ICTA.
2028. Claims under the source legislation in relation to rent are based on tax years, but as these bodies are subject to corporation tax it is more appropriate to operate on the basis of accounting periods. Moving to this basis also brings those claims into line with the claim for the chargeable gains exemption in section 652. See *Change 46* in Annex 1.

#### ***Section 656: Adjustments of liability***

2029. This section sets out how adjustments to a society’s corporation tax liability may be made as a result of a claim or an amendment of a claim. It is based on section 489(2) and (9A) of ICTA.
2030. Adjustments under the source legislation as a result of claims in relation to rent may be based on tax years or accounting periods, but as these bodies are subject to corporation tax it is more appropriate to operate on the basis of accounting periods. See *Change 46* in Annex 1.

#### ***Section 657: Power to make further provision***

2031. This section sets out the power to make further provision by statutory instrument or, in Northern Ireland, by statutory rule. It is based on section 489(6) and (12) of ICTA.
2032. Powers to make regulations under this provision for the purposes of self-build societies in Wales were transferred to the Welsh Ministers by the National Assembly for Wales (Transfer of Functions) Order 1999 ([SI 1999/672](#)), article 2 and Schedule 1 and by the Government of Wales Act 2006, paragraphs 30(1) and (2) of Schedule 11.
2033. In order to reflect changes in the responsibilities of the Department of the Environment and the Department for Social Development, powers to make regulations under this provision for the purposes of self-build societies in Northern Ireland refer to the Department for Social Development instead of the Head of the Department of the Environment for Northern Ireland. See *Change 47* in Annex 1.