

Bill 6

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PART 1

MISCELLANEOUS RULES

CHAPTER 1

OTHER MISCELLANEOUS RULES

Local authorities etc

1 Local authorities and local authority associations [\[j8406\]](#)

- (1) A local authority in the United Kingdom is not liable to corporation tax.
[Origin: ICTA s.519\(1\).](#)
- (2) A local authority association in the United Kingdom is not liable to corporation tax.
[Origin: ICTA s.519\(2\).](#)

2 Meaning of “local authority association” [\[j8406a\]](#)

- (1) In the Corporation Tax Acts “local authority association” means any incorporated or unincorporated association which meets conditions A and B.
[Origin: ICTA s.519\(3\), s.832\(1\).](#)
- (2) Condition A is that all of its members are local authorities, groups of local authorities or local authority associations.
[Origin: ICTA s.519\(3\).](#)
- (3) Condition B is that its purpose, or primary purpose, is to protect and further the general interests of local authorities or any description of local authorities.
[Origin: ICTA s.519\(3\).](#)
- (4) For the purposes of condition A, a local authority, group of local authorities or local authority association is treated as a member if it has appointed a person to be a member or is represented by a member.
[Origin: ICTA s.519\(3\).](#)
- (5) And, in that case, the appointee or representative is treated as not being a member for the purposes of the condition.
[Origin: ICTA s.519\(3\).](#)

Health service bodies

3 Health service bodies [j8407]

- (1) A health service body is not liable to corporation tax.
Origin: ICTA s.519A(1).
- (2) Subsection (1) is subject to any order made under section 5.
Origin: Drafting.
- (3) See section 4 for the meaning of “health service body”.
Origin: Drafting.

4 Meaning of “health service body” [j8407a]

In section 3 “health service body” means a body mentioned in the following table—

<i>Body</i>	<i>Provision under which body established</i>
the Common Services Agency for the Scottish Health Service	Section 10 of the National Health Service (Scotland) Act 1978 (c. 29)
a Health and Social Services Board	Article 16 of the Health and Personal Social Services (Northern Ireland) Order 1972 (No. 1265 (N.I. 14))
a Health and Social Services trust	Article 10 of the Health and Personal Social Services (Northern Ireland) Order 1991 (No. 194 (N.I. 1))
a Health Board	Section 2 of the National Health Service (Scotland) Act 1978
a Local Health Board	Section 11 of the National Health Service (Wales) Act 2006
a National Health Service trust	Section 25 of the National Health Service Act 2006, or section 18 of the National Health Service (Wales) Act 2006, or section 12A of the National Health Service (Scotland) Act 1978
an NHS foundation trust	Section 30 of the National Health Service Act 2006
the Northern Ireland Central Services Agency for the Health and Social Services	Article 26 of the Health and Personal Social Services (Northern Ireland) Order 1972 (No. 1265 (N.I. 14))
a Primary Care Trust	Section 18 of the National Health Service Act 2006

<i>Body</i>	<i>Provision under which body established</i>
the Scottish Dental Practice Board	Section 4 of the National Health Service (Scotland) Act 1978 (c. 29)
a special health and social services agency	Article 3 of the Health and Personal Social Services (Special Agencies) (Northern Ireland) Order 1990 (No. 247 (N.I. 3))
a Special Health Authority	Section 28 of the National Health Service Act 2006 or section 22 of the National Health Service (Wales) Act 2006
a Special Health Board	Section 2 of the National Health Service (Scotland) Act 1978
a Strategic Health Authority	Section 13 of the National Health Service Act 2006

Origin: ICTA s.519A(2).

5 NHS foundation trusts [j8407b]

- (1) The Treasury may by order provide that an NHS foundation trust (see the table in section 4) is liable to corporation tax in relation to a specified activity or class of activity.

Origin: ICTA s.519A(3).

- (2) If an order is made under subsection (1) it must make provision for determining the amount of the profits relating to an activity that are to be charged to corporation tax as a result of the order.

Origin: ICTA s.519A(4).

- (3) An order under subsection (1) may in particular –
- make provision for disregarding profits of less than a specified amount in respect of a relevant period;
 - make provision for disregarding a specified part of profits in respect of a relevant period;
 - make provision for disregarding all or part of profits relating to activity for which receipts or turnover (as defined by the order) are less than a specified amount in respect of a relevant period.

Origin: ICTA s.519A(5).

- (4) “Relevant period” means –
- a financial year or accounting period, or
 - a specified part of a financial year or accounting period.

Origin: ICTA s.519A(5).

- (5) An order under subsection (1) –
- may apply, with or without modification, a provision of the Tax Acts;
 - may disapply a provision of the Tax Acts;

- (c) may make provision similar to a provision of the Tax Acts;
- (d) may make provision generally or in relation to a specified body or class of bodies.

Origin: ICTA s.519A(6).

- (6) The Treasury may make an order under subsection (1) only if conditions A and B are met.

Origin: ICTA s.519A(7).

- (7) Condition A is that the order relates to an activity or class of activity that appears to the Treasury to be of a commercial nature.
For this purpose an activity authorised under section 43(1) of the National Health Service Act 2006 is not treated as an activity of a commercial nature.

Origin: ICTA s.519A(7), (8).

- (8) Condition B is that the order appears to the Treasury to be expedient for the purpose of avoiding, removing or reducing differences between—
 - (a) the tax treatment of the body undertaking the activity, and
 - (b) the tax treatment of another body or class of body which is of a commercial nature and which undertakes or might undertake the same or a similar activity.

Origin: ICTA s.519A(7).

- (9) An order under subsection (1) may only be made if a draft has been laid before and approved by resolution of the House of Commons.

Origin: ICTA s.519A(7).

Reserve Bank of India and State Bank of Pakistan

6 Issue departments of the Reserve Bank of India and the State Bank of Pakistan [j8401]

No liability to corporation tax arises in respect of the [income] of the issue department of—

- (a) the Reserve Bank of India constituted under an Act of the Indian legislature called the Reserve Bank of India Act 1983, or
- (b) the State Bank of Pakistan constituted under certain orders made under section 9 of the Indian Independence Act 1947 (c. 30).

Origin: ICTA s.517.

Agricultural societies

7 Agricultural societies [j2033a]

- (1) No liability to corporation tax arises in respect of profits of an agricultural society which—
 - (a) arise from an exhibition or show held for the purposes of the society, and
 - (b) are applied solely for the purposes of the society.

Origin: ICTA s.510(1).

- (2) In this section “agricultural society” means any society or institution established for the purpose of promoting the interests of –
- (a) agriculture,
 - (b) horticulture,
 - (c) forestry, or
 - (d) the breeding of any kind of animal.

Origin: ICTA s.510(2).

European Economic Interest Groupings

8 European Economic Interest Groupings [j8400]

- (1) The following rules about European Economic Interest Groupings apply for the purposes of charging corporation tax in respect of income –

Rule 1

A grouping is treated as acting as the agent of its members.

Rule 2

The activities of a grouping are treated as those of its members acting jointly.

Rule 3

Each member of a grouping is treated as having a share of the grouping’s property, rights and liabilities.

Rule 4

Any trade or profession carried on by the grouping is treated as carried on in partnership by the members of the grouping.

Origin: ICTA s.510A(2), (3), (6).

- (2) For the purposes of Rule 3, a member’s share of any property, rights or liabilities of a grouping is determined in accordance with the contract under which the grouping is established.

Origin: ICTA s.510A(4).

- (3) If the contract does not provide for this, the member’s share is determined by reference to the share of the profits of the grouping to which the member is entitled under the contract.

Origin: ICTA s.510A(5).

- (4) If the contract does not provide for this either, the members are treated as having equal shares of the property, rights and liabilities of the grouping.

Origin: ICTA s.510A(5).

- (5) [Part [] of Bill 5] (loan relationships) applies in relation to a grouping as it applies in relation to a firm.

Origin: ICTA s.510A(6A).

- (6) For the purposes of subsection (5) see in particular the following provisions of that Part –
- Chapter [] (debts owed by or to partnerships involving companies),
 - section [j061087A] (meaning of “control”), and
 - section [j0696920] (meaning of “major interest”).

Origin: ICTA s.510A(6A).

- (7) “European Economic Interest Grouping” means a European Economic Interest Grouping formed under Council Regulation (EEC) No 2137/85 of 25 July 1985, whether registered in Great Britain, Northern Ireland or elsewhere.

Origin: ICTA s.510A(1).

Harbour reorganisation schemes

9 Harbour reorganisation schemes: corporation tax [j8402]

- (1) This section and sections 10 and 11 apply if –
- (a) the trade of any body corporate other than a limited liability company is transferred to a harbour authority,
 - (b) the transfer is made by or under a certified harbour reorganisation scheme, and
 - (c) the scheme provides for the dissolution of the transferor.

Origin: ICTA s.518(1).

- (2) For the purposes of the Corporation Tax Acts –
- (a) the trade is not treated as discontinued, and
 - (b) a new trade is not treated as started.

Origin: ICTA s.518(2).

- (3) Subsection (4) applies if an amount (“the loss amount”) would have been available to the transferor for relief under section [j4513rm] (carry forward of trade loss against subsequent trade profits) had the transferor continued to carry on the transferred trade.

Origin: ICTA s.518(3).

- (4) The transferee is entitled to relief under section [j4513rm] in respect of the loss amount as if the transferee had made a loss in carrying on –
- (a) the transferred trade, or
 - (b) any trade of which the transferred trade comes to form part.

Origin: ICTA s.518(3).

- (5) The loss amount is subject to any claim made by the transferor under section [j4505rm] (deduction of trade losses from total profits).

Origin: ICTA s.518(3).

10 Harbour reorganisation schemes: CAA 2001 [j8403]

- (1) For the purposes of this section a “qualifying allowance or charge” is an allowance or charge that would have fallen to be made to or on the transferor

in accordance with CAA 2001 if the transferor had continued to carry on the trade.

Origin: ICTA s.518(4).

- (2) A qualifying allowance or charge is to be made to or on the transferee (and not the transferor).

Origin: ICTA s.518(4).

- (3) The amount of a qualifying allowance or charge is calculated as if –
- (a) the transferee had been carrying on the trade since the transferor had begun to do so, and
 - (b) everything done to or by the transferor had been done to or by the transferee.

Origin: ICTA s.518(4).

- (4) No qualifying allowance or charge is treated as arising on a sale or transfer which, on the transfer of the trade, is made by the transferor to the transferee of any assets in use for the purposes of the trade.

Origin: ICTA s.518(5).

11 Harbour reorganisation schemes: chargeable gains [j8403a]

- (1) The transferee is entitled to corporation tax relief in respect of chargeable gains for an amount to which subsection (2) applies.

Origin: ICTA s.518(7).

- (2) This subsection applies to an amount for which, if the transferor had continued to carry on the trade, it would have been entitled to claim relief in respect of allowable losses.

Origin: ICTA s.518(7).

12 Harbour reorganisation schemes: transfer of part of trade [j8404]

- (1) This section applies if part of a trade of any body corporate other than a limited liability company is transferred to a harbour authority by or under a certified harbour reorganisation scheme.

Origin: ICTA s.518(1), (8).

- (2) If the transferor continues to carry on the remainder of the trade, sections 9, 10 and 11 apply as if the transferred part had at all times been a separate trade.

Origin: ICTA s.518(8).

- (3) If –
- (a) the trade is transferred in parts to two or more harbour authorities, and
 - (b) the scheme provides for the dissolution of the transferor,
- sections 9, 10 and 11 apply as if each of the transferred parts had at all times been a separate trade.

Origin: ICTA s.518(8).

- (4) If a part of a trade is treated by virtue of subsection (2) or (3) as having been a separate trade over any period—
- (a) any necessary adjustments of accounting periods are to be made, and
 - (b) just and reasonable apportionments of receipts, expenses, allowances or charges are to be made.

Origin: ICTA s.518(9); Annex 1, Change {jc218}.

- (5) Section {j4901Crm}(4) to (8) (apportionment if part of trade treated as separate trade) applies to any apportionment under subsection (4).

Origin: ICTA s.518(9).

13 Harbour reorganisation schemes: interpretation {j8405}

- (1) This section applies for the purposes of sections 9 to 12.

Origin: Drafting.

- (2) “Harbour authority” has the same meaning as in the Harbours Act 1964 (c. 40).

Origin: ICTA s.518(10).

- (3) “Harbour reorganisation scheme” means any statutory provision providing for the management by a harbour authority of any harbour or group of harbours in the United Kingdom.

For this purpose “statutory provision” means any enactment, or any scheme, order or other instrument having effect under an enactment, and includes an enactment confirming a provisional order.

Origin: ICTA s.518(10).

- (4) “Certified”, in relation to a harbour reorganisation scheme, means certified by—

- a Minister of the Crown,
- a government department, or
- the Scottish Ministers,

as providing for management as mentioned in subsection (3) with a view to securing, in the public interest, the efficient and economical development of the harbour or harbours in question.

Origin: ICTA s.518(10).

- (5) “Limited liability company” means a company having a limit on the liability of its members.

Origin: ICTA s.518(10).

- (6) “Transferor”, in relation to a trade, means the body from which the trade is transferred, whether or not the transfer is effected by that body.

Origin: ICTA s.518(10).

- (7) “Transferee”, in relation to a trade, means the harbour authority to which the trade is transferred.

Origin: Drafting.

SCHEDULES

SCHEDULE 1

Section 8

MINOR AND CONSEQUENTIAL AMENDMENTS [j2 (EXCEPTIONS)]

PART 1

INCOME AND CORPORATION TAXES ACT 1988 (EXCEPTIONS - RAS)

- 1 The Income and Corporation Taxes Act 1988 is amended as follows.
- 2 Omit section 510 (agricultural societies).
- 3 Omit section 510A (European Economic Interest Groupings).
- 4 Omit section 511(7) (the Gas Council).
- 5 Omit section 513 (British Airways Board and National Freight Corporation).
- 6 Omit section 517 (issue departments of Reserve Bank of India and State Bank of Pakistan).
- 7 Omit section 518 (harbour reorganisation schemes).
- 8 Omit section 519 (local authorities).
- 9 Omit section 519A (health service bodies).
- 10 [In section 832(1) (interpretation of the Corporation Tax Acts), omit the definition of “local authority association”.]

OTHER ENACTMENTS (EXCEPTIONS)

Inheritance Tax Act 1984 (c. 51)

- 11 In Schedule 3 to the Inheritance Tax Act 1984, in the entry for “health service body”, for “section 519A of the Income and Corporation Taxes Act 1988” substitute “section 4 of [Bill 6]”.

Electricity Act 1989 (c. 29)

- 12 (1) Schedule 11 to the Electricity Act 1989 (taxation provisions) is amended as follows.
 - (2) In paragraph 1(5) omit the words from “and in construing” to the end.
 - (3) In paragraph 2(3) omit the words from “and in construing” to the end.
 - (4) Omit paragraph 4.
 - (5) In paragraph 5(5) omit the words from “and in construing” to the end.

Taxation of Chargeable Gains Act 1992 (c. 12)

- 13 (1) The Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In section 221(2) (harbour authorities) for “within the meaning of section 518 of the Taxes Act” substitute “as defined by section 13 of [Bill 6]”.
- (3) In section 271(3) (miscellaneous exemptions) for “sections 519 and 519A of the Taxes Act” substitute “sections 2 and 4 of [Bill 6]”.

Finance Act 1999 (c. 16)

- 14 Omit section 63 of the Finance Act 1999 (treatment of transfer fees under existing contracts).

Greater London Authority Act 1999 (c. 29)

- 15 (1) The Greater London Authority Act 1999 is amended as follows.
- (2) In section 157(4) (restriction on exercise of certain powers except through a company) –
- (a) omit paragraph (a),
 - (b) omit “and” at the end of paragraph (aa), and
 - (c) after that paragraph insert –
 - “(ab) section 1 of [Bill 6] (exemption of local authorities from corporation tax); and”.
- (3) In section 419(2) (taxation: certain bodies treated as a local authority) –
- (a) omit paragraph (a),
 - (b) omit “and” at the end of paragraph (aa), and
 - (c) after that paragraph insert –
 - “(ab) section 1 of [Bill 6] (exemption of local authorities from corporation tax); and”.

Finance Act 2002 (c. 23)

- 16 [In Schedule 12, in paragraph 18(1)(d), for “section 519A(2) of that Act” substitute “section 4 of [Bill 6]”.]

Income Tax Act 2007

- 17 In section 936(2)(b) of the Income Tax Act 2007 (recipients who are to be paid gross), for “section 519A(2) of ICTA” substitute “section 4 of [Bill 6]”.

Bill 5

- 18 In [section {j8042}(1)(d) of Bill 5] (meaning of “qualifying body”), for “section 519A(2) of that Act” substitute “section 4 of [Bill 6]”.

SCHEDULE 2

Section [\[ref\]](#)

REPEALS: EXCEPTIONS [\[j4 \(EXCEPTIONS\)\]](#)

PART 1

EXEMPTIONS ETC

<i>Reference</i>	<i>Extent of repeal or revocation</i>
Income and Corporation Taxes Act 1988 (c. 1)	Section 510. Section 510A. Section 511(7). Section 513. Section 517. Section 518. Section 519. Section 519A. [In section 832(1), the definition of “local authority association”.]
Electricity Act 1989 (c. 29)	In Schedule 11 – (a) in paragraph 1(5), the words “and in construing” to the end, (b) in paragraph 2(3), the words “and in construing” to the end, (c) paragraph 4, and (d) in paragraph 5(5), the words “and in construing” to the end.
Finance Act 1990 (c. 29)	In Schedule 11, paragraph 1. [In Schedule 18, paragraph 5.]
National Health Service and Community Care Act 1990 (c. 19)	Section 61(1).
Finance Act 1991 (c. 31)	In Schedule 15, paragraph 19.
Taxation of Chargeable Gains Act 1992 (c. 12)	In Schedule 10, paragraph 14(32).
Health Authorities Act 1995 (c. 17)	In Schedule 1, paragraph 114.
Health Act 1999 (c. 8)	In Schedule 4, paragraph 73.
Finance Act 1999 (c. 16)	Section 63.
Greater London Authority Act 1999 (c. 29)	In section 157(4), paragraph (a) and the word “and” at the end of paragraph (aa). In section 419(2), paragraph (a) and the word “and” at the end of paragraph (aa).
Capital Allowances Act 2001 (c. 2)	In Schedule 2, paragraph 43.
Finance Act 2002 (c. 23)	In Schedule 25, paragraph 49.
National Health Service Reform and Health Care Professions Act 2002 (c. 17)	In Schedule 5, paragraph 27.

<i>Reference</i>	<i>Extent of repeal or revocation</i>
Health and Social Care (Community Health and Standards) Act 2003 (c. 43)	Section 33(1). In Schedule 13, paragraph 5.
Finance Act 2004 (c. 12)	Section 148.
Income Tax (Trading and Other Income) Act 2005 (c. 5)	In Schedule 1, paragraph 506.
National Health Service (Consequential Provisions) Act 2006	In Schedule 1, paragraphs 99 to 101.