

*These notes refer to the Corporation Tax Act 2009
(c.4) which received Royal Assent on 26 March 2009*

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 19: General exemptions

Overview

3277. This Part groups all of the sections which provide exemption for income otherwise charged to corporation tax by this Act. The exemptions, where relevant, apply to both United Kingdom and foreign income unless one of these kinds of income is expressly excluded in the section.

Section 1279: Exemption of profits from securities free of tax to residents abroad (“FOTRA securities”)

3278. This section exempts FOTRA securities specified in section 1280(1) from corporation tax and sets out the two conditions that must be met if that exemption is to apply. It is based on section 154 of FA 1996. The corresponding rule for income tax is in section 714 of ITTOIA.

Section 1280: Section 1279: supplementary provision

3279. This section sets out the three different classes of United Kingdom Government securities exempt in the hands of non-UK residents (FOTRA securities) and defines the term “the exemption condition” and “gilt-edged security” used in this section. It is based on section 154(8) of FA 1996 and section 161 of FA 1998. The corresponding rule for income tax is in section 713 of ITTOIA.

Section 1281: Income from savings certificates

3280. This section provides an exemption for income from savings certificates where the holding is within specified limits. It is based on section 46(1), (3), (4) and (6) of ICTA. The corresponding rule for income tax is in section 692 of ITTOIA.

3281. The source legislation refers to the limits in terms of purchase by, or on behalf of, a person. *Subsection (2)* rewrites this as “acquisition” to avoid confusion for situations such as joint ownership where special regulations apply. It also refers to the regulations as limiting a person’s holding in line with the way the regulations are written.

3282. *Subsection (2)* introduces the words “so far as”. This allows exemption to be conferred in part in respect of multiple savings certificates. See *Change 92* in Annex 1.

Section 1282: Income from Ulster Savings Certificates

3283. This section provides an exemption for income from Ulster Savings Certificates for holdings within specified limits. It is based on section 46 of ICTA, which also deals with savings certificates generally (see section 1281). The corresponding rule for income tax is in section 693 of ITTOIA.

3284. Although Ulster Savings Certificates have not been issued since March 1997, there are still holdings which have not been redeemed. Consequently it is necessary to rewrite this provision to ensure that interest continuing to be paid in respect of these holdings is exempt from corporation tax.
3285. *Subsection (4)* introduces the words “so far as”. This allows exemption to be conferred in part in respect of multiple savings certificates. See *Change 92* in Annex 1.
3286. *Subsection (4)* uses “acquisition” rather than purchase and refers to a person’s holding in line with the way the regulations are written.
3287. *Subsection (5)* does not specify that the claim for exemption is to be made to the Board. Where a notice to deliver a corporation tax return has been issued, paragraphs 57 and 58 of Schedule 18 to FA 1998 require the claim to be made in the return or by amendment of the return if possible. See *Change 1* in Annex 1.

Section 1283: Interest from tax reserve certificates

3288. This section exempts interest on tax reserve certificates from corporation tax. It is based on section 46(2) of ICTA.

Section 1284: Housing grants

3289. This section exempts from corporation tax grants paid under legislation intended to assist in providing, maintaining or improving housing. It is based on section 578 of ICTA. The corresponding rule for income tax is in section 769 of ITTOIA.
3290. *Subsection (1)* reflects the effect of the devolution settlements. See *Change 15* in Annex 1.

Section 1285: UK company distributions

3291. This section sets out the exemption from the charge to corporation tax on dividends and other distributions made by a UK resident company. It is based on section 208 of ICTA.
3292. The judgement in the case of *Strand Options and Futures Ltd v Vojak*, 76 TC 220 CA¹, provides judicial interpretation of section 208 of ICTA. The Court of Appeal held that the exemption referred specifically to leaving dividends and other distributions out of account in computing *income*, which does not mean that the amount of a distribution should be left out of account in computing a chargeable gain.
3293. *Subsection (2)* encapsulates the court’s interpretation of the legislation in respect of distributions and their inclusion in a chargeable gains computation.
3294. Section 337A(1)(a) of ICTA, rewritten as section 1305, denies a deduction in computing profits for corporation tax purposes in respect of dividends and other distributions. The wording of section 208 of ICTA makes no distinction between receipts and deductions in computing income, and it therefore potentially overlaps with section 337A(1)(a) of ICTA. The words “as receipts” have therefore been added to this section to clarify its role.
3295. The section also provides signposts to certain exceptions to the general rule.

Section 1286: VAT repayment supplements

3296. This section exempts VAT repayment supplement from corporation tax. It is based on section 827 of ICTA. The corresponding rule for income tax is in section 777 of ITTOIA.

*These notes refer to the Corporation Tax Act 2009
(c.4) which received Royal Assent on 26 March 2009*

Section 1287: Incentives to use electronic communications

3297. This section exempts from corporation tax incentives provided under regulations for the use of electronic communications. It is based on section 143 of FA 2000. The corresponding rule for income tax is in section 778 of ITTOIA.