

SCHEDULES

SCHEDULE 14

GIFTS TO THE NATION

PART 3

CORPORATION TAX

Taxes affected

- 12 (1) This Part applies to a company's liability to corporation tax.
- (2) A reference in this Part to a company's "tax liability" is to the company's liability to corporation tax.
- (3) References to an amount of or on account of "tax" are to be read accordingly.

The basic rule

- 13 (1) If a company ("C") makes a qualifying gift, a portion of C's tax liability for the relevant accounting period is to be treated as satisfied, as if C had paid that portion when it became due (or on the offer registration date, if the portion became due before that date).
- (2) "The relevant accounting period" is the accounting period of C's in which the offer registration date falls.

The portion treated as satisfied

- 14 (1) The portion of C's tax liability for the relevant accounting period that is to be treated as satisfied is an amount equal to the smaller of—
- (a) the tax reduction figure, and
- (b) the amount of C's tax liability for that period less any portion of that amount that is treated as satisfied in consequence of any qualifying gift made by C on a previous occasion.
- (2) The amount determined under sub-paragraph (1) may be nil.
- (3) The tax reduction figure is—
- (a) 20% of the value set out in the agreed terms as the agreed value of the property forming the subject of the qualifying gift, or
- (b) such lower figure as may be specified in the agreed terms as the tax reduction figure.
- (4) The Treasury may by order substitute a different percentage for the percentage specified for the time being in sub-paragraph (3)(a).

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Effect of basic rule on interest and penalties

- 15 (1) This paragraph explains the effect of paragraph 13 as regards late payment interest and late payment penalties.
- (2) The effect is that liability to pay amounts specified in sub-paragraph (3) ceases when the qualifying gift is made, as if the liability had never arisen.
- (3) The amounts are—
- (a) any late payment interest that accrued on the relevant portion during the negotiation period, and
 - (b) any late payment penalty to which C became liable in the negotiation period for failing to pay the relevant portion (together with any interest on such a penalty).
- (4) “The relevant portion” is the portion of C’s tax liability for the relevant accounting period that is treated under paragraph 13 as satisfied.
- (5) In determining for the purposes of sub-paragraph (2) whether or to what extent—
- (a) late payment interest accruing on an amount of or on account of C’s tax liability for the relevant accounting period is attributable to the relevant portion, or
 - (b) a late payment penalty incurred for failing to pay an amount of or on account of C’s tax liability for the relevant accounting period is attributable to the relevant portion,
- any attribution or apportionment is to be done in the way that maximises the relief obtained by C by virtue of this paragraph.
- (6) “The negotiation period” is the period—
- (a) beginning with the offer registration date, and
 - (b) ending with the day on which the qualifying gift is made.
- (7) Nothing in this paragraph affects any late payment interest that accrued, or any late payment penalty to which C became liable, before the offer registration date.

Changes to C’s tax liability

- 16 (1) If the amount of C’s tax liability for the relevant accounting period is revised at any time, the portion of that liability that is treated under paragraph 13 as satisfied is to be re-calculated.
- (2) But nothing in this paragraph permits any revision of the agreed terms.

Gifts set aside etc

- 17 If a qualifying gift is set aside or declared void after it is made—
- (a) the portion of C’s tax liability for the relevant accounting period treated as satisfied ceases to be treated as satisfied,
 - (b) the effect described in paragraph 15 is negated, and
 - (c) C is required to pay the portion due, together with any late payment interest and late payment penalties in respect of it, by the later of—
 - (i) the end of the period of 30 days beginning with the day on which the gift was set aside or declared void, and

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- (ii) the day by which C would have been required to pay those amounts but for this Schedule.

Suspension pending negotiations

- 18 (1) A company that makes an offer in the circumstances described in paragraph 1 (a “potential donor”) may make a request under this paragraph if—
- (a) the offer is registered in accordance with the scheme,
 - (b) the offer includes a proposal (“the donor proposal”) of what should be in the agreed terms,
 - (c) the potential donor will be required to pay an amount of or on account of tax for the relevant accounting period by a certain date, and
 - (d) the negotiations are not expected to conclude before that date (referred to as “the due date”).
- (2) For the purposes of this paragraph, the negotiations “conclude” when—
- (a) a qualifying gift is made pursuant to the offer,
 - (b) the offer is withdrawn by the potential donor, or
 - (c) the offer is rejected.
- (3) A request under this paragraph is a request that the potential donor’s obligation to pay the amount by the due date be suspended until the negotiations conclude.
- (4) But the running total of amounts for which suspension may be requested under this paragraph in respect of the same offer must not exceed the proposed tax reduction figure.
- (5) “The proposed tax reduction figure” is the amount shown in the donor proposal as the proposed tax reduction figure.
- (6) A request under this paragraph—
- (a) must be made in writing to HMRC at least 45 days before the due date, and
 - (b) must be accompanied by a copy of the donor proposal and such other information as an officer of Revenue and Customs may reasonably require.
- (7) In considering whether or to what extent to agree to a request, HMRC must have regard to all the circumstances of the case (including, for example, the creditworthiness of the potential donor).
- (8) HMRC may impose conditions with respect to the suspension.
- 19 (1) Suspension under paragraph 18 of a potential donor’s obligation to pay an amount of or on account of tax stops the donor from becoming liable to late payment penalties for or in connection with the failure to pay that amount by the due date.
- (2) But it does not stop late payment interest from accruing on that amount from the due date.
- (3) HMRC may by notice in writing to the potential donor withdraw its agreement to the suspension with effect from such date, before conclusion of the negotiations, as may be specified in the notice.
- (4) If it does so, the potential donor must pay the amount, together with any late payment interest that has accrued on it since the due date, by the end of the period of 30 days beginning with the date specified in the notice.

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- (5) The last day of that 30-day period is to be treated for the purposes of any enactment relating to late payment penalties as the date on or before which the amount must be paid.
- (6) Paragraph 20 explains what happens once the negotiations conclude (depending on the outcome of the negotiations).

Conclusion of negotiations

- 20
- (1) This paragraph applies if a potential donor's obligation to pay an amount of or on account of tax remains suspended under paragraph 18 when the negotiations conclude (within the meaning of that paragraph).
 - (2) The potential donor must pay the amount, together with any late payment interest that has accrued on it since the due date, within the period of 30 days beginning with the day on which the negotiations concluded.
 - (3) The last day of that 30-day period is to be treated for the purposes of any enactment relating to late payment penalties as the date on or before which the amount must be paid.
 - (4) But if the negotiations conclude because a qualifying gift is made pursuant to the offer or a part of the offer—
 - (a) sub-paragraph (2) is to be read subject to paragraph 13 (and its effect as described in paragraph 15), and
 - (b) accordingly, the potential donor is only required to pay so much as is not treated as satisfied under paragraph 13.
 - (5) If the negotiations conclude in relation to a part only of the offer—
 - (a) this paragraph is to be given effect as far as reasonably practicable in relation to that part, and
 - (b) on receipt of a revised copy of the donor proposal, HMRC may give effect to paragraph 18 in relation to the part of the offer that remains under negotiation.