EXPLANATORY MEMORANDUM TO

THE SCIENTIFIC RESEARCH ORGANISATIONS REGULATIONS 2007

2007 No. 3426

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Description

These Regulations provide for scientific research associations ("SRA") to be exempt from corporation tax provided the conditions specified are satisfied.

3. Matters of special interest to the Select Committee on Statutory Instruments

None

4. Legislative Background

4.1 Section 508 of the Income and Corporation Taxes Act 1988 ("ICTA") was amended by section 13 of the Finance (No.2) Act ("F2A") 2005 which inserted subsections (1A) and (1B) into section 508. These subsections give the Treasury power to make these regulations. The amendments made by section 13 are effective in relation to accounting periods starting on or after 1 January 2008 in consequence of SI 2007/3424 (C.145) which appoints that day for the purposes of section 13.

4.2 The Regulations are made primarily to enable scientific research associations to come within the corporation tax self assessment system.

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Financial Secretary to the Treasury has stated that in her view, these Regulations are compatible with the Convention rights.

7. Policy background

7.1 SRAs are companies for corporation tax purposes and so, in principle, subject to corporation tax. However, section 508 ICTA allows such companies to claim exemption from corporation tax like the exemption from tax available to charitable companies whose whole income is applied to charitable purposes.

7.2 Currently, an association makes a claim for exemption from tax which is supported by a certificate from the Secretary of State for the Department for

Innovation, Universities and Skills ("DIUS") who determines whether the SRA satisfies the conditions in section 508 ICTA for the accounting period(s) to which the claim to exemption from tax relates.

7.3 Section 13 of F2A 2005 introduced changes to section 508 ICTA. One of these changes removes the requirement for an association to seek approval from DIUS. Instead SRAs will be brought wholly within the corporation tax self assessment regime and so will be required to self-assess whether or not they are eligible to exemption from corporation tax. The regulations set out the conditions to be met by SRAs in order to self-assess a claim to exemption from tax.

7.4 The scope of the regulations has been the subject of discussions with the SRAs and their representatives.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has minimal impact on business, charities or voluntary bodies.

9. Contact

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