

Chief Constables: exemption from corporation tax

Who is likely to be affected?

Chief Constables and the Commissioner of Police of the Metropolis.

General description of the measure

The measure exempts Chief Constables and the Commissioner of Police of the Metropolis from paying corporation tax (CT) on any chargeable activities they may undertake.

Policy objective

To ensure that Chief Constables and the Commissioner of Police of the Metropolis are not liable to pay CT on any chargeable activities, following changes to the organisation of police forces.

Background to the measure

This measure was announced today, 17 January 2013. The draft legislation has also been published today.

Detailed proposal

Operative date

Legislation will be introduced in Finance Bill 2013 with the intention that (subject to Parliamentary process) it becomes law on Royal Assent to Finance Bill 2013. The measure will, however, have retrospective effect from the dates the new legal entities came into existence: for the Commissioner of Police of the Metropolis the legislation will take effect from 16 January 2012, and for Chief Constables it will take effect from 22 November 2012.

Current law

Section 2 of the Corporation Tax Act 2009 requires CT to be charged on the profits of 'companies'. Section 1121 Corporation Tax Act 2010 (CTA 2010) defines a 'company' as 'any body corporate', which includes corporations sole. As corporations sole, Chief Constables and the Commissioner of Police of the Metropolis fall under the definition of a 'body corporate' and so are liable to pay CT on any profits.

Proposed revisions

Legislation will be introduced in Finance Bill 2013 to amend CTA 2010 to include the new exemption from CT for Chief Constables and the Commissioner of Police of the Metropolis.

Summary of impacts

Exchequer impact (£m)	2012-13	2013-14	2014-15	2015-16	2016-17
	negligible	negligible	negligible	negligible	negligible
	This measure is not expected to have an Exchequer impact.				
Economic impact	This measure is not expected to have any macroeconomic impacts.				
Impact on individuals and households	This measure will have no impact on individuals and households as the 38 Chief Constables and Commissioners are regarded as bodies corporate.				
Equalities impacts	No equalities impacts have been identified.				
Impact on business including civil society organisations	This measure is not expected to have any impact on businesses and civil society organisations, as it ensures the new bodies avoid the need to provide additional resources for accounting systems and tax advice.				
Operational impact (£m) (HMRC or other)	This measure will have no operational impact.				
Other impacts	Other impacts have been considered and none have been identified.				

Monitoring and evaluation

This policy will not need to be monitored.

Further advice

If you have any questions about this change, please contact Lorraine Coster on 020 7147 2542 (email: lorraine.coster@hmrc.gsi.gov.uk).

Declaration

David Gauke MP, Exchequer Secretary to the Treasury, has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.

1 Chief constables etc (England and Wales): exemption from corporation tax

- (1) In Chapter 8 of Part 22 of CTA 2010 (exemptions), after section 987 insert –

“Police

987A Chief constables etc (England and Wales)

The following are not liable to corporation tax –

- (a) a chief constable of a police force for a police area listed in Schedule 1 to the Police Act 1996 (see section 2 of that Act);
 - (b) the Commissioner of Police of the Metropolis.”
- (2) The amendment made by this section is treated as having come into force on 16 January 2012, but, in relation to any time before 22 November 2012, section 987A of CTA 2010 has effect as if paragraph (a) were omitted.

FINANCE BILL

EXPLANATORY NOTE

CHIEF CONSTABLES AND COMMISSIONER OF POLICE OF THE METROPOLIS - CORPORATION TAX

SUMMARY

1. This clause ensures that Chief Constables and the Commissioner of Police of the Metropolis (the new bodies) created by the Police Reform and Social Responsibility Act 2011 (the Act) will be exempt from corporation tax (CT).

DETAILS OF THE CLAUSE

2. Subsection 1 inserts an exemption from CT for the new bodies at s987A Corporation Tax Act 2010 (CTA 2010).
3. Subsection 2 indicates the date from which the exemption will apply - 16 January 2012 for the Commissioner of Police of the Metropolis and 22 November 2012 for Chief Constables.

BACKGROUND

4. The Act made significant changes to the structure of policing in England and Wales, specifically by creating Police and Crime Commissioners, The Mayor's Office for Policing and Crime and the aforementioned new bodies. Subject to specific legislation, these new bodies would be liable to CT.
5. The predecessor bodies, the Police Authorities, were exempt from CT by virtue of s984 CTA 2010 as they were local authorities within the meaning of s1130 CTA 2010. Each of the Police and Crime Commissioners and The Mayor's Office for Policing and Crime meet the definition of local authority for CT purposes and so are covered by s984.
6. This measure introduces legislation to specifically exempt the new bodies from CT as they no longer fall within the definition of local authorities for the purposes of s1130 CTA 2010.
7. If you have any questions about this change, or comments on the legislation, please contact Lorraine Coster on 020 7147 2542 (email: lorraine.coster@hmrc.gsi.gov.uk).