

## The Association of Investment Trust Companies

### **CORPORATION TAX SELF-ASSESSMENT AND 842 APPROVAL**

I am delighted to say that, following discussions with the Inland Revenue, agreement has been reached regarding the way in which the consideration and granting of 842 approval will be handled by the Inland Revenue following the introduction of Corporation Tax Self-Assessment (CTSA).

The basis of the agreement is that:

- if requested by the company concerned, the consideration and granting of 842 approval may be handled by the Inland Revenue outside the CTSA process and deadlines.
- the application for 842 approval will be addressed on its own merits and within a reasonable timescale of submission. Where approval can be given, guidance to local Inspectors will indicate this should be done within three months of the application, where possible. Where approval cannot be given within such a timescale because of the opening of a CTSA enquiry or for some other reason, the company should be advised accordingly.
- where, on the basis of the information provided, the company can be approved as an investment trust, a letter of approval will be issued. [Note : the AITC has not agreed a precise form of wording of an approval letter with the Inland Revenue, as the wording will inevitably vary according to circumstances.]

Members should be aware that a letter of approval given by the Inland Revenue is likely to indicate (a view that is endorsed by the AITC) that the consideration and granting of approval does not amount to the opening and closing of an enquiry under CTSA and that therefore the Inland Revenue may still enquire into the Company Tax Return (assuming one accompanied the approval application) at a later stage.

In addition to the above, the Inland Revenue has indicated that, were a company to submit its Company Tax Return (which will continue to contain a box for Members to indicate that they are seeking approval as an investment trust) without specifically requesting a formal letter of approval, the company can be assured that its status as an investment trust has been accepted once the enquiry window has closed. Whilst the AITC welcomes this confirmation of the Inland Revenue's position, it anticipates that its Members would prefer the assurance provided by written approval and that Members will, as a matter of course, always request a letter of approval when submitting their Company Tax Returns.

#### **Conclusion**

The Technical Committee of the AITC has considered the basis of the agreement reached between the Inland Revenue and the AITC and believes

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that it will provide the assurance required by Members in meeting their disclosure obligations under the Listing Rules and also ensure that the liquidation of an investment trust can proceed without undue delay. The AITC will monitor how the new agreement with the Inland Revenue operates in practice and would obviously like to hear from Members as soon as possible if any practical difficulties arise. This note has been seen by the Inland Revenue.

If you have any queries on the above, please do not hesitate to contact me on 020 7282 5612 or [ian@aitc.co.uk](mailto:ian@aitc.co.uk).

Ian Sayers  
Technical Director

13 August 2001