

# BN 12: London Olympic Games and Paralympic Games

## Who is likely to be affected?

1. The London Organising Committee of the Olympic Games Ltd ("LOCOG", the company set up to organise the Games), the International Olympic Committee ("IOC"), and non-UK resident competitors and support staff temporarily in the UK for the Games.

## General description of the measure

2. These measures will exempt LOCOG from corporation tax and will provide powers for regulations to be made in relation to the IOC and non-resident athletes and other persons temporarily in the UK to carry out Olympic-related business. The powers will allow provision to be made to ensure that the IOC's revenues generated from the Games, income of non-UK resident athletes from their performance at the Games, and income of other persons temporarily in the UK to carry out Olympic-related business will not be chargeable to corporation tax, income tax or capital gains tax.

## Operative date

3. LOCOG will be exempt from corporation tax from 22 October 2004 (the date the company was incorporated). The regulations made under the powers are unlikely to be needed until nearer the time of the Games.

## Current law and proposed revisions

4. A UK resident company is within the charge to corporation tax under section 6 Income and Corporation Taxes Act (ICTA) 1988. LOCOG will be taken out of that charge by specific exemption. Powers will be put in place to allow regulations to be made to provide exemption for a wholly-owned subsidiary of LOCOG, where appropriate. Powers will also be taken to allow regulations to be made relating to LOCOG, or a person acting in concert with LOCOG, to ensure that the benefit of exemption does not extend beyond LOCOG's functions under the Host City contract.

5. A non-resident company is only within the charge to corporation tax if it carries on a trade in the UK through a permanent establishment as defined in section 148 Finance Act 2003. Powers will be put in place for regulations to ensure that the IOC and, if applicable, any non-UK resident person owned or controlled by it, will not have a permanent establishment in the UK and so will not be chargeable to corporation tax. The powers will also allow regulations to be made to prevent the IOC, and any non-UK resident person owned or controlled by it, from being chargeable to income tax or capital gains tax on revenues generated in relation to the Games.

6. Sections 13 and 14 of Income Tax (Trading and Other Income) Act (ITTOIA) 2005 and sections 555-558 ICTA 1988 bring payments made to non-UK resident visiting performers within the charge to income tax and provide for tax to be withheld. General earnings from duties performed in the UK by non-UK resident employees are liable to income tax under section 27 Income Tax (Earnings and Pensions) Act 2003. Profits of a trade of a non-UK resident, to the extent that it is carried on in the UK, are liable to income tax under section 6 ITTOIA 2005, or in the case of

a non-UK resident company to corporation tax under section 11 ICTA 1988. Powers will be taken for regulations to be made later. These regulations will ensure that non-UK resident competitors will not be charged to tax on income arising from their performance at the Games, and that non-UK residents who are only temporarily in the UK for the purpose of the Games will not be charged to income tax on their earnings from the work they perform in relation to the Games.

7. In certain circumstances section 349 ICTA 1988 requires tax to be withheld from royalties, interest and other annual payments. Section 349(1) will not apply to royalties and annual payments made to LOCOG. Powers will be taken that will enable regulations to be made to prevent section 349(1) from applying to royalties and annual payments made to visiting performers and support staff, and to prevent section 349 from applying to the IOC and any non-UK resident owned or controlled by it.

## Further advice

8. If you have any questions about this change, please contact Mark Anderson on 020 7147 2621. Information about Budget measures is now available.

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