



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 3

TRADE PROFITS: BASIC RULES

24 Professions and vocations

Apart from section 30 (animals kept for trade purposes), the provisions of this Chapter apply to professions and vocations as they apply to trades.

25 Generally accepted accounting practice

- (1) The profits of a trade must be calculated in accordance with generally accepted accounting practice, subject to any adjustment required or authorised by law in calculating profits for income tax purposes.
- (2) This does not—
 - (a) require a person to comply with the requirements of [^{F1}the Companies Act 2006 or subordinate legislation made under that Act] except as to the basis of calculation, or
 - (b) impose any requirements as to audit or disclosure.
- (3) This section is subject to section 160 (barristers and advocates in early years of practice).
- (4) This section does not affect provisions of the Income Tax Acts relating to the calculation of the profits of Lloyd's underwriters.

Status: Point in time view as at 13/08/2009.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 3. (See end of Document for details)

Textual Amendments

- F1** Words in s. 25(2)(a) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2008 \(S.I. 2008/954\)](#), arts. 1(1), **36** (with art. 4)

26 Losses calculated on same basis as profits

- (1) The same rules apply for income tax purposes in calculating losses of a trade as apply in calculating profits.
- (2) This is subject to any express provision to the contrary.

27 Receipts and expenses

- (1) In the Income Tax Acts, in the context of the calculation of the profits of a trade, references to receipts and expenses are to any items brought into account as credits or debits in calculating the profits.
- (2) There is no implication that an amount has been actually received or paid.
- (3) This section is subject to any express provision to the contrary.

28 Items treated under CAA 2001 as receipts and expenses

The rules for calculating the profits of a trade need to be read with—

- (a) the provisions of CAA 2001 which treat charges as receipts of a trade, and
- (b) the provisions of CAA 2001 which treat allowances as expenses of a trade.

29 Interest

For the purpose of calculating the profits of a trade, interest is an item of a revenue nature, whatever the nature of the loan.

30 Animals kept for trade purposes

- (1) Animals or other living creatures kept for the purposes of a trade are treated as trading stock if they are not kept wholly or mainly—
 - (a) for the work they do in connection with the carrying on of the trade,
 - (b) for public exhibition, or
 - (c) for racing or other competitive purposes.
- (2) But they are not treated as trading stock if they are part of a herd in relation to which a herd basis election has effect (see Chapter 8).
- (3) This section applies to shares in animals or other living creatures as it applies to the creatures themselves.
- (4) This section does not apply to professions or vocations.

31 Relationship between rules prohibiting and allowing deductions

- (1) Any relevant permissive rule in this Part—

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- (a) has priority over any relevant prohibitive rule in this Part, but
 - (b) is subject to [^{F2}section 36 (unpaid remuneration), section 38 (employee benefit contributions), section 48 (car ^{F3} ... hire) and section] 55 (crime-related payments).
- (2) In this section “any relevant permissive rule in this Part” means any provision of—
- (a) Chapter 5 (apart from sections 60 to 67),
 - (b) Chapter 11, or
 - (c) Chapter 13,
- which allows a deduction in calculating the profits of a trade.
- (3) In this section “any relevant prohibitive rule in this Part”, in relation to any deduction, means any provision of this Part (apart from sections [^{F4}36, 38,] 48 and 55) which might otherwise be read as—
- (a) prohibiting the deduction, or
 - (b) restricting the amount of the deduction.

Textual Amendments

- F2** Words in s. 31(1)(b) substituted (with effect as stated in s. 67(7) of the amending Act) by [Finance Act 2007 \(c. 11\), s. 67\(2\)](#)
- F3** Words in s. 31(1)(b) omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\), Sch. 11 para. 35](#)
- F4** Words in s. 31(3) inserted (with effect as stated in s. 67(7) of the amending Act) by [Finance Act 2007 \(c. 11\), s. 67\(3\)](#)

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