



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 6

TRADE PROFITS: RECEIPTS

Introduction

95 Professions and vocations

Apart from section 105 (industrial development grants), the provisions of this Chapter apply to professions and vocations as they apply to trades.

^{F1}Cash basis accounting

Textual Amendments

- F1** S. 95A and cross-heading inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 19](#)

95A Application of Chapter to the cash basis

[For rules about receipts that apply only for the purpose of calculating profits on the ^{F2}(1)] cash basis, see the following—

^{F3}
...

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

section 97A (cash basis: value of trading stock on cessation of trade),
section 97B (cash basis: value of work in progress on cessation of profession or vocation).]

[^{F4}(2) Section 96A makes provision about capital receipts in certain cases where the profits of a trade are calculated on the cash basis or have previously been calculated on the cash basis (and see also section 96B).]

Textual Amendments

- F2** S. 95A(1): s. 95A renumbered as s. 95A(1) (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 2 para. 3(a)
- F3** Words in s. 95A(1) omitted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of Finance (No. 2) Act 2017 (c. 32), Sch. 2 para. 3(b)
- F4** S. 95A(2) inserted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 2 para. 3(c)

Capital receipts

96 Capital receipts

- (1) Items of a capital nature must not be brought into account as receipts in calculating the profits of a trade.
- (2) But this does not apply to items which, as a result of any provision of this Part, are brought into account as receipts in calculating the profits of the trade.

[^{F5}96A [^{F6}Capital receipts under, or after leaving, cash basis]

[^{F7}(1) This section applies in relation to a trade carried on by a person in two cases—

- (a) Case 1 (see subsections (2) to (3A)), and
- (b) Case 2 (see subsections (3B) to (3E)).

(2) Case 1 is a case in which conditions A and B are met.

(3) Condition A is that the person receives disposal proceeds or a capital refund in relation to an asset at a time when an election under section 25A (cash basis for trades) has effect in relation to the trade.

For the meaning of “disposal proceeds” and “capital refund” see subsections (3F) and (3G).

(3A) Condition B is that—

- (a) an amount of capital expenditure (see subsection (3H)) relating to the asset has been brought into account in calculating the profits of the trade on the cash basis, or
- (b) an amount of capital expenditure relating to the asset which—
 - (i) has been incurred (or treated as incurred) by the person before the tax year for which the person last entered the cash basis, and
 - (ii) is cash basis deductible in relation to that tax year (see section 96B(4)),

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

has been brought into account in calculating the profits of the trade for a tax year for which no election under section 25A had effect in relation to the trade.

- (3B) Case 2 is a case in which—
- (a) condition C is met, and
 - (b) condition D or E is met.
- (3C) Condition C is that disposal proceeds or a capital refund arise to the person in relation to an asset at a time—
- (a) when no election under section 25A has effect in relation to the trade, and
 - (b) which is after a time when such an election had had effect in relation to the trade.
- (3D) Condition D is that an amount of capital expenditure relating to the asset—
- (a) has been paid at a time when an election under section 25A had effect in relation to the trade,
 - (b) has been brought into account in calculating the profits of the trade on the cash basis, and
 - (c) on the assumption that an election under section 25A had not had effect at the time the expenditure was paid, would not have been qualifying expenditure.
- (3E) Condition E is that an amount of capital expenditure relating to the asset has been brought into account in calculating the profits of the trade for a tax year—
- (a) for which no election under section 25A had effect in relation to the trade, and
 - (b) which is before the tax year for which the person last entered the cash basis.

The reference in this subsection to expenditure brought into account does not include a reference to expenditure brought into account under CAA 2001 (see section 96B(5)) [F8 except to the extent that it is expenditure in respect of which a capital allowance is made under Part 2A of that Act].

- (3F) “Disposal proceeds” means—
- (a) any proceeds arising from the disposal of an asset or any part of it,
 - (b) any proceeds arising from the grant of any right in respect of, or any interest in, the asset, or
 - (c) any amount of damages, proceeds of insurance or other compensation received in respect of the asset.

See also subsections (4) and (5) for circumstances in which a person is to be regarded as disposing of an asset.

- (3G) “Capital refund” means an amount that is (in substance) a refund of capital expenditure relating to an asset.
- (3H) “Capital expenditure” means expenditure of a capital nature incurred, or treated as incurred, on or in connection with—
- (a) the provision, alteration or disposal of an asset, or
 - (b) the potential provision, alteration or disposal of an asset.
- (3I) The disposal proceeds or capital refund mentioned in condition A or (as the case may be) condition C are to be brought into account as a receipt in calculating the profits of the trade.

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

(3J) In a case where only part of the total capital expenditure incurred, or treated as incurred, by the person in relation to the asset has been brought into account in calculating the profits of the trade (whether or not on the cash basis), the amount brought into account under subsection (3I) is proportionately reduced.

The reference in this subsection to expenditure brought into account includes a reference to expenditure brought into account under CAA 2001 (see section 96B(5)).

(3K) Subsection (3I) does not apply if the whole of the amount which would otherwise be brought into account under that subsection—

- (a) has already been brought into account as a receipt in calculating the profits of the trade under this section,
- (b) is brought into account as a receipt in calculating the profits of the trade under any other provision of this Part (except section 240D(3) (assets not fully paid for)), or
- (c) is brought into account under any Part of CAA 2001 as a disposal value.

(3L) If part of the amount which would otherwise be brought into account under subsection (3I) has already been or is brought into account as mentioned in subsection (3K), subsection (3I) applies in relation to the remainder of that amount.]

(4) If—

- (a) at any time the person ceases to use the asset or any part of it for the purposes of the trade, but
 - (b) the person does not dispose of the asset (or that part) at that time,
- the person is to be regarded for the purposes of this section as disposing of the asset (or that part) at that time for an amount equal to the market value amount.

(5) If at any time there is a material increase in the person's non-business use of the asset or any part of it, the person is to be regarded for the purposes of this section as disposing of the asset (or that part) at that time for an amount equal to the relevant proportion of the market value amount.

(6) For the purposes of subsection (5)—

- (a) there is an increase in a person's non-business use of an asset (or part of an asset) if—
 - (i) the proportion of the person's use of the asset (or that part) that is for the purposes of the trade decreases, and
 - (ii) the proportion of the person's use of the asset (or that part) that is for other purposes (the “non-business use”) increases;
- (b) “the relevant proportion” is the difference between—
 - (i) the proportion of the person's use of the asset (or part of the asset) that is non-business use, and
 - (ii) the proportion of the person's use of the asset (or that part) that was non-business use before the increase mentioned in subsection (5).

^{F9}(7)]

Textual Amendments

F5 S. 96A inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 20](#)

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

- F6** S. 96A heading substituted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 4\(2\)](#)
- F7** S. 96A(1)-(3L) substituted (16.11.2017) for s. 96A(1)-(3) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 4\(3\)](#)
- F8** Words in s. 96A(3E) inserted (5.7.2019) by virtue of [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, [5\(2\)](#)
- F9** S. 96A(7) omitted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 4\(4\)](#)

Modifications etc. (not altering text)

- C1** S. 96A(4)(5) excluded in part (16.11.2017) by 1992 c. 12, s. 37(1A)-(1C) (as inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 44](#))

[^{F10}96B Section 96A: supplementary provision

- (1) This section has effect for the purposes of section 96A.
- (2) Any question as to whether or to what extent expenditure is brought into account in calculating the profits of a trade is to be determined on such basis as is just and reasonable in all the circumstances.
- (3) A person carrying on a trade “enters the cash basis” for a tax year if—
 - (a) an election under section 25A has effect in relation to the trade for the tax year, and
 - (b) no such election had effect in relation to the trade for the previous tax year.
- (4) Expenditure is “cash basis deductible” in relation to a tax year if, on the assumption that the expenditure was paid in that tax year, a deduction would be allowed in respect of the expenditure in calculating the profits of the trade on the cash basis for that tax year.
- (5) Expenditure is “brought into account under CAA 2001” in calculating the profits of a trade if and to the extent that—
 - (a) a capital allowance made under Part 2, [^{F11}2A,] 5, 6, 7 or 8 of that Act in respect of the expenditure is treated as an expense in calculating those profits (see, for example, section 247 of that Act), or
 - (b) qualifying expenditure (within the meaning of Part 2, 7 or 8 of CAA 2001) is allocated to a pool for the trade and is set-off against different disposal receipts.
- (6) An amount of qualifying expenditure is “set-off against different disposal receipts” if—
 - (a) the amount would have been unrelieved qualifying expenditure carried forward in the pool for the trade, but
 - (b) the amount is not so carried forward because (and only because) one or more disposal values in respect of one or more assets, other than the asset in respect of which the qualifying expenditure was incurred (or treated as incurred), have at any time been brought into account in that pool.
- (7) For the purposes of subsection (6), an amount of qualifying expenditure incurred (or treated as incurred) by a person is not to be regarded as not carried forward because the person enters the cash basis.

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

(8) In this section and in section 96A—

“disposal value” means—

(a) in section 96A(3K)(c)—

(i) a disposal value for the purposes of Part 2, 4A, 5, 6, 7 8 or 10 of CAA 2001 (for example, in relation to Part 2 of that Act, see (in particular) section 61 of that Act), or

(ii) proceeds from a balancing event for the purposes of Part 3 or 3A of that Act (see sections 316 and 360O of that Act), and

(b) in subsection (6), a disposal value for the purposes of—

(i) Part 2 of that Act (see, in particular, section 61 of that Act),

(ii) Part 7 of that Act (see section 462 of that Act), or

(iii) Part 8 of that Act (see sections 476 and 477 of that Act);

“market value amount” means the amount that would be regarded as normal and reasonable—

(a) in the market conditions then prevailing, and

(b) between persons dealing with each other at arm's length in the open market;

“pool” means—

(a) the main pool or a class pool to which qualifying expenditure is allocated under Part 2 of CAA 2001 (see section 54 of that Act),

(b) a pool to which qualifying expenditure is allocated under Part 7 of that Act (see section 456 of that Act), or

(c) a pool to which qualifying expenditure is allocated under Part 8 of that Act (see section 470 of that Act);

“provision” includes creation, construction or acquisition;

“qualifying expenditure” means—

(a) qualifying expenditure within the meaning of Part 2 of CAA 2001 (see section 11(4) of that Act for the general rule),

(b) qualifying expenditure within the meaning of Part 5 of that Act (see section 395 of that Act),

(c) qualifying expenditure within the meaning of Part 6 of that Act (see section 439 of that Act),

(d) qualifying expenditure within the meaning of Part 7 of that Act (see section 454 of that Act), or

(e) qualifying trade expenditure within the meaning of Part 8 of that Act (see section 468 of that Act);

“unrelieved qualifying expenditure” means unrelieved qualifying expenditure for the purposes of—

(a) Part 2 of CAA 2001 (see section 59(1) and (2) of that Act),

(b) Part 7 of that Act (see section 461 of that Act), or

(c) Part 8 of that Act (see section 475 of that Act).]

Textual Amendments

F10 S. 96B inserted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 2 para. 5**

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

F11 Word in s. 96B(5)(a) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **5(3)**

Debts released

97 Debts incurred and later released

- (1) This section applies if—
- (a) in calculating the profits of a trade, a deduction is allowed for the expense giving rise to a debt owed by the person carrying on the trade,
 - (b) all or part of the debt is released, and
 - (c) the release is not part of a statutory insolvency arrangement.
- (2) The amount released—
- (a) is brought into account as a receipt in calculating the profits of the trade, and
 - (b) is treated as arising on the date of the release.

[^{F12}Cash basis: value of stock and work in progress on cessation

Textual Amendments

F12 Ss. 97A, 97B and cross-heading inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 4 para. 21**

97A Cash basis: value of trading stock on cessation of trade

- (1) This section applies if—
- (a) a person permanently ceases to carry on a trade in a tax year, and
 - (b) an election under section 25A (cash basis for small businesses) has effect in relation to the trade for the tax year.
- (2) The value of any trading stock belonging to the trade at the time of the cessation is brought into account as a receipt in calculating the profits of the trade for the tax year.
- (3) The value is to be determined on a basis that is just and reasonable in all the circumstances.
- (4) If there is a change in the persons carrying on a trade, subsection (2) does not apply in relation to the trade so long as a person carrying on the trade immediately before the change continues to carry it on after the change.
- (5) In this section “trading stock” has the same meaning as in Chapter 12 (see section 174).
- (6) This section does not apply to professions or vocations.

97B Cash basis: value of work in progress on cessation of profession or vocation

- (1) This section applies if—
- (a) a person permanently ceases to carry on a profession or vocation in a tax year, and

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

- (b) an election under section 25A (cash basis for small businesses) has effect in relation to the profession or vocation for the tax year.
- (2) The value of any work in progress at the time of the cessation is brought into account as a receipt in calculating the profits of the profession or vocation for the tax year.
- (3) The value is to be determined on a basis that is just and reasonable in all the circumstances.
- (4) If there is a change in the persons carrying on a profession, subsection (2) does not apply in relation to the profession so long as a person carrying on the profession immediately before the change continues to carry it on after the change.
- (5) In this section “work in progress” has the same meaning as in Chapter 12 (see section 183).]

Amounts received following earlier cessation

98 Acquisition of trade: receipts from transferor's trade

- (1) This section applies if —
 - (a) a person (“the transferor”) permanently ceased to carry on a trade at any time,
 - (b) at that time the transferor transferred to another person (“the transferee”) the right to receive sums arising from the carrying on of the trade, and
 - (c) the transferee subsequently carries on the transferor's trade.
- (2) Sums—
 - (a) which the transferee receives as a result of the transfer, and
 - (b) which are not brought into account in calculating the profits of the transferor's trade for income or corporation tax purposes for any period before the cessation,

are brought into account in calculating the profits of the transferee's trade in the period of account in which they are received.
- (3) Any sums mentioned in subsection (1)(b) which are received after the transferor has permanently ceased to carry on the trade are not post-cessation receipts (see Chapter 18).

Reverse premiums

99 Reverse premiums

- (1) For the purposes of sections 101 and 102 a payment or other benefit is a reverse premium—
 - (a) if conditions A to C are met, and
 - (b) it is not excluded by section 100.
- (2) Condition A is that a person (“the recipient”) receives the payment or other benefit by way of inducement in connection with a transaction being entered into by—
 - (a) the recipient, or
 - (b) a person connected with the recipient.

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

- (3) Condition B is that the transaction (the “property transaction”) is one under which—
- (a) the recipient, or
 - (b) the person connected with the recipient,
- becomes entitled to an estate, interest or right in or over land.
- (4) Condition C is that the payment or other benefit is paid or provided by—
- (a) the person (“the grantor”) by whom the estate, interest or right is granted or was granted at an earlier time,
 - (b) a person connected with the grantor, or
 - (c) a nominee of, or a person acting on the directions of, the grantor or a person connected with the grantor.

100 Excluded cases

- (1) A payment or other benefit is not a reverse premium so far as it is brought into account under section 532 of CAA 2001 (the general rule excluding contributions) to reduce the recipient's expenditure qualifying for capital allowances.
- (2) A payment or other benefit received in connection with a property transaction is not a reverse premium if—
- (a) the person entering into the transaction is an individual, and
 - (b) the transaction relates to premises occupied or to be occupied by the individual as the individual's only or main residence.
- (3) A payment or other benefit is not a reverse premium so far as it is consideration for the transfer of an estate or interest in land which constitutes the sale in a sale and lease-back arrangement.
- (4) A “sale and lease-back arrangement” means any such arrangement as is described in ^{F13}section 681AA(1) or (2), 681AB(1) or (2) or 681BA of ITA 2007 or ^{F14}section 835(1) or (2) or 836(1) or (2) of CTA 2010].

Textual Amendments

F13 Words in s. 100(4) inserted (1.4.2010) (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 8 para. 255** (with [Sch. 9 paras. 1-9, 22](#))

F14 Words in s. 100(4) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 445** (with [Sch. 2](#))

Modifications etc. (not altering text)

C2 S. 100(1) excluded (26.3.2007) by [The Income Tax \(Construction Industry Scheme\) Regulations 2005 \(S.I. 2005/2045\)](#), reg. 20(2) (as amended by [The Income Tax \(Construction Industry Scheme\) \(Amendment\) Regulations 2007 \(S.I. 2007/672\)](#), **reg. 5(3)**)

101 Tax treatment of reverse premiums

- (1) A reverse premium is treated for income tax purposes as a receipt of a revenue nature.

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

- (2) If the recipient enters into the property transaction for the purposes of a trade carried on (or to be carried on) by the recipient, the reverse premium is brought into account in calculating the profits of the trade.
- (3) If subsection (2) does not apply, the reverse premium is charged to income tax in accordance with section 311 (reverse premium taxed as property business receipt).

102 Arrangements not at arm's length

- (1) This section applies if—
 - (a) two or more of the parties to the property arrangements are connected persons, and
 - (b) the terms of those arrangements are not such as would reasonably have been expected if those persons had been dealing at arm's length.
- (2) The terms of the property arrangements meet the condition in subsection (1)(b) if they differ to a significant extent from the terms which, at the time the arrangements were entered into, would be regarded as normal and reasonable—
 - (a) in the market conditions then prevailing, and
 - (b) between persons dealing with each other at arm's length in the open market.
- (3) The whole amount or value of the reverse premium brought into account under section 101 is brought into account in the first relevant period of account.
- (4) “The first relevant period of account” means the period of account in which the property transaction is entered into.
- (5) But if the recipient enters into the property transaction for the purposes of a trade—
 - (a) which is not then carried on by the recipient, but
 - (b) which the recipient subsequently starts to carry on,
 “the first relevant period of account” means the first period of account in which the recipient carries on the trade.

103 Connected persons and property arrangements

For the purposes of this section and sections 99 to 102—

- (a) persons are treated as connected with each other if they are connected (for which see section 878(5)) at any time during the period when the property arrangements are entered into, and
- (b) “the property arrangements” means the property transaction and any arrangements entered into in connection with it (whether before it, at the same time as it or after it).

Assets of mutual concerns

104 Distribution of assets of mutual concerns

- (1) This section applies if—
 - (a) a deduction has been allowed in calculating the profits of a trade for a payment to a mutual concern for the purposes of its mutual business,
 - (b) the concern is being or has been wound up or dissolved,

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

- (c) a person (“the recipient”) who is carrying on the trade, or was doing so at the time of the payment, receives money or money's worth representing the concern's assets, and
 - (d) the assets in question represent profits of the mutual business conducted by the concern.
- (2) If the recipient is carrying on the trade at the time the money or money's worth is received, the amount or value of the money or money's worth is brought into account as a receipt in calculating the profits of the trade.
- (3) If the recipient—
- (a) is not carrying on the trade at the time the money or money's worth is received, but
 - (b) was doing so at the time of the payment to the mutual concern,
- the amount or value of the money or money's worth is treated as a post-cessation receipt (see Chapter 18).
- (4) For the purposes of this section money or money's worth represents assets of a mutual concern if it—
- (a) forms part of the assets of the concern,
 - (b) forms part of the consideration for the transfer of the assets of the concern as part of a scheme of amalgamation or reconstruction which involves its winding up, or
 - (c) consists of the consideration for a transfer or surrender of a right to receive anything falling within paragraph (a) or (b) and does not give rise to a charge to income tax on the person receiving it otherwise than as a result of this section.
- (5) If a transfer or surrender of a right to receive anything which—
- (a) forms part of the assets of a mutual concern, or
 - (b) forms part of the consideration for the transfer of the assets of a mutual concern,
- is not at arm's length, the person making the transfer or surrender is treated as receiving consideration equal to the value of the right.
- (6) In this section references to a mutual concern are to a body corporate which has at any time carried on a trade which consists of or includes the conduct of mutual business (whether or not confined to the members of the body corporate).
- (7) For the purposes of this section a trade does not consist of or include the conduct of mutual business if all the profits of the trade are chargeable to income or corporation tax.

Industrial development grants

105 Industrial development grants

- (1) This section applies if a person carrying on a trade receives a payment by way of a grant under—
- (a) section 7 or 8 of the Industrial Development Act 1982 (c. 52), or
 - (b) Article 7, 9 or 30 of the Industrial Development (Northern Ireland) Order 1982 (S.I. 1982/1083 (N.I. 15)).

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6. (See end of Document for details)

- (2) The payment is brought into account as a receipt in calculating the profits of the trade unless—
- (a) the grant is designated as made towards the cost of specified capital expenditure, [^{F15} (but see subsection (2A))]
 - (b) the grant is designated as compensation for the loss of capital assets, or
 - (c) the grant is for all or part of a corporation tax liability (including one that has already been met).

[^{F16}(2A) Subsection (2)(a) is to be disregarded in calculating the profits of a trade on the cash basis.]

- (3) This section does not apply to professions or vocations.

Textual Amendments

- F15** Words in s. 105(2)(a) inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 22\(2\)](#)
- F16** S. 105(2A) inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 22\(3\)](#)

Proceeds of insurance etc.

106 Sums recovered under insurance policies etc.

- (1) This section applies if—
- (a) a deduction is allowed for a loss or expense in calculating the profits of a trade,
 - (b) a person carrying on the trade recovers a sum under an insurance policy or a contract of indemnity in respect of the loss or expense, and
 - (c) the sum is not of a revenue nature.
- (2) The sum is brought into account as a receipt in calculating the profits of the trade (but only up to the amount of the deduction).

Status:

Point in time view as at 06/04/2023.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 6.