



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART IV

#### PROVISIONS RELATING TO THE SCHEDULE D CHARGE

### CHAPTER V

#### COMPUTATIONAL PROVISIONS

##### *Deductions*

#### **87 Taxable premiums etc.**

- (1) <sup>M1</sup>This section applies where in relation to any land used in connection with a trade, profession or vocation—
- [<sup>F1</sup>(a) any amount falls to be treated as a receipt of a Schedule A business by virtue of section 34 or 35, or
  - (b) any amount would fall to be so treated but for the operation of section 37(2) or (3);]
- and that amount is referred to below as “the amount chargeable”.
- (2) <sup>M2</sup>Subject to subsections (3) to (8) below, where—
- (a) during any part of the relevant period the land in relation to which the amount chargeable arose is occupied by the person for the time being entitled to the lease as respects which it arose, and
  - (b) that occupation is for the purposes of a trade, profession or vocation carried on by him,

he shall be treated, in computing the [<sup>F2</sup>profits] of the trade, profession or vocation chargeable to tax under Case I or II of Schedule D, as paying in respect of that land rent for the period (in addition to any actual rent), becoming due from day to day, of an amount which bears to the amount chargeable the same proportion as that part of the relevant period bears to the whole.

*Status: Point in time view as at 31/07/1998. This version of this provision has been superseded.*

*Changes to legislation: Income and Corporation Taxes Act 1988, Section 87 is up to date with all changes known to be in force on or before 12 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (3) As respects any period during which a part only of the land in relation to which the amount chargeable arose is occupied as mentioned in subsection (2) above, that subsection shall apply as if the whole were so occupied, but the amount chargeable shall be treated as reduced by so much thereof as, on a just apportionment, is attributable to the remainder of the land.
- (4)<sup>M3</sup>Where a person, although not in occupation of the land or any part of the land, deals with his interest in the land or that part as property employed for the purposes of a trade, profession or vocation carried on by him, subsections (2) and (3) above shall apply as if the land or part were occupied by him for those purposes.
- (5)<sup>M4</sup>Where section 37(2) and (3) has effect in relation to a lease granted out of the interest referred to in subsection (4) above, subsections (5) and (6) of that section shall apply for modifying the operation of subsections (2) and (3) above as they apply for modifying the operation of subsection (4) of that section.
- (6)<sup>M5</sup>In computing [<sup>F2</sup>profits] chargeable under Case I or II of Schedule D for any chargeable period, rent shall not by virtue of subsection (4) above be treated as paid by a person for any period in respect of land in so far as rent treated under section 37(4) as paid by him for that period in respect of the land has in any previous chargeable period been deducted, or falls in that chargeable period to be deducted under Part II.
- (7)<sup>M6</sup>Where, in respect of expenditure on the acquisition of his interest in the land in relation to which the amount chargeable arose, a person has become entitled to an allowance under [<sup>F3</sup>Part IV of the 1990 Act in respect of expenditure falling within section 105(1)(b) of that Act] (mineral depletion) for any chargeable period, then—
- (a) if the allowance is in respect of the whole of the expenditure, no deduction shall be allowed him under this section for that or any subsequent chargeable period; or
  - (b) if the allowance is in respect of part only of the expenditure (“the allowable part”), a deduction allowed him under this section for that or any subsequent chargeable period shall be the fraction—

$$\frac{A - B}{A}$$

of the amount which apart from this subsection would fall to be deducted, where—

A is the whole of the expenditure, and

B is the allowable part of the expenditure;

...<sup>F4</sup>

- (8) Where the amount chargeable arose under section 34(2) by reason of an obligation which included the carrying out of work in respect of which any capital allowance has fallen or will fall to be made, this section shall apply as if the obligation had not included the carrying out of that work and the amount chargeable had been calculated accordingly.
- (9)<sup>M7</sup>In this section “the relevant period” means—
- (a) where the amount chargeable arose under section 34, the period treated in computing that amount as the duration of the lease;

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- (b) where the amount chargeable arose under section 35, the period treated in computing that amount as the duration of the lease remaining at the date of the assignment.

(10) <sup>F5</sup> .....

#### Textual Amendments

- F1** S. 87(1)(a)(b) substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 5 para. 34** (with Sch. 5 para. 73)
- F2** Words in s. 87(2)(6) substituted (31.7.1998) by Finance Act 1998 (c. 36), **s. 46(3)(a)(b)**, Sch. 7 para. 1
- F3** 1990(C) s.164 and Sch.1 para.8(5). *Previously* “section 60 of the 1968 Act”.
- F4** *Words repealed by 1990(C) s.164(4) and Sch.2. See 1989 edition for these provisions.*
- F5** S. 87(10) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), **Sch. 27 Pt. 3(4)**, Note

#### Modifications etc. (not altering text)

- C2** *See—1976(D) Sch.6 para.4(4)—no account to be taken of any deduction of realised development value. 1976(D) repealed by 1985 ss.93, 98(6) and Sch.27 Part X from 19 March 1985. 1990(C) s.111—reduction of qualifying expenditure for premium relief.*
- C3** S. 87 excluded (19.9.1994) by Coal Industry Act 1994 (c. 21), s. 68(4), **Sch. 4 para. 15(2)** (with s. 40(7)); S. I. 1994/2189, **art. 2**, Sch.
- C4** S. 87 excluded (8.11.1995) by Atomic Energy Authority Act 1995 (c. 37), **Sch. 3 para. 9(2)**
- C5** S. 87 excluded (24.7.1996) by Broadcasting Act 1996 (c. 55), s. 149(1)(f), **Sch 7 para. 21(2)** (with s. 43(6))
- C6** S. 87(1) modified (with effect in accordance with s. 39(4)(5) of the modifying act) by Finance Act 1995 (c. 4), **Sch. 6 para. 14(1)**

#### Marginal Citations

- M1** SOURCE-1970 s. 134(1); 1978 s. 32
- M2** SOURCE-1970 s. 134(2), (3); 1978 s. 32
- M3** SOURCE-1970 s. 134(4)
- M4** SOURCE-1970 s. 134(4)(a)
- M5** SOURCE-1970 s. 134(4)(b)
- M6** SOURCE-1970 s. 134(5), (6); 1986 Sch. 13 para. 26
- M7** SOURCE-1970 s. 134(1)(i), (ii)

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