



Finance Act 1998

1998 CHAPTER 36

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

INCOME TAX AND CORPORATION TAX

Computation of profits of trade, profession or vocation

42 Computation of profits of trade, profession or vocation.

- (1) For the purposes of Case I or II of Schedule D the profits of a trade, profession or vocation must be computed on an accounting basis which gives a true and fair view, subject to any adjustment required or authorised by law in computing profits for those purposes.
- (2) This does not—
 - (a) require a person to comply with the requirements of the ^{M1}Companies Act 1985 or the ^{M2}Companies (Northern Ireland) Order 1986 except as to the basis of computation, or
 - (b) impose any requirements as to audit or disclosure.
- (3) This section applies to periods of account beginning after 6th April 1999.

A period of account beginning on or before 6th April 1999 which is still current on 7th April 2000 shall be treated for the purposes of this section as having ended on 6th April 1999 and a new period as having begun on 7th April 1999.

- (4) This section is subject to the exemption in section 43 below (barristers and advocates in early years of practice).

Status: Point in time view as at 31/07/1998.

Changes to legislation: Finance Act 1998, Cross Heading: Computation of profits of trade, profession or vocation is up to date with all changes known to be in force on or before 28 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)

- (5) This section does not affect provisions of the Tax Acts relating to the computation of the profits of Lloyd’s underwriters or companies carrying on life insurance, or otherwise laying down special rules for the computation of the profits of a particular description of business.

Marginal Citations

- M1** 1985 c. 6.
M2 S.I. 1986/1032 (N.I. 6).

43 Barristers and advocates in early years of practice.

- (1) The profits of a barrister or advocate in actual practice for a period of account ending not more than seven years after the commencement of such practice may be computed in accordance with this section.
- (2) For this purpose barristers and advocates are regarded as commencing in actual practice when they first hold themselves out as available for fee-earning work.
- (3) The profits of a barrister or advocate for a period of account to which this section applies may be computed—
- (a) on a cash basis, or
 - (b) by reference to fees earned whose amount has been agreed or in respect of which a fee note has been delivered.

Once a particular basis has been adopted it must be applied consistently.

- (4) The exemption given by this section ceases if for any period of account an accounting basis is adopted that complies with section 42 above.

In that case, that section applies to all subsequent periods of account.

44 Change of accounting basis.

- (1) The provisions of Schedule 6 to this Act apply where there is a change, from one period of account to the next of a trade, profession or vocation, of the accounting basis on which profits are computed for tax purposes.
- (2) The Schedule only applies if the old basis accords with the law and practice applicable immediately before the change and the new basis accords with the law and practice applicable immediately after the change.
- (3) The provisions of the Schedule replace section 104(4) of the Taxes Act 1988 and any rule of law as to the adjustments necessary for tax purposes in those circumstances.
- (4) They apply to any change of accounting basis taking effect on or after 6th April 1999.

45 Meaning of “period of account”.

In sections 42 to 44 above a “period of account” means any period for which accounts of the trade, profession or vocation are drawn up.

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46 Minor and consequential provisions about computations.

- (1) In provisions of the Tax Acts relating to the computation of the profits of a trade, profession or vocation references to receipts and expenses are (except where otherwise expressly provided) to any items brought into account as credits or debits in computing such profits.

There is no implication that an amount has been actually received or expended.

- (2) Except where otherwise expressly provided, the same rules apply in computing losses of a trade, profession or vocation for any purpose of the Tax Acts as apply in computing profits.
- (3) In the provisions of the Tax Acts which refer to the subject of the charge under Case I or II of Schedule D as “profits or gains” or “profits and gains” of a trade, profession or vocation—
 - (a) for “profits or gains” or “profits and gains”, wherever occurring, substitute “profits”, and
 - (b) for “arising or accruing”, in reference to such profits or gains, substitute “arising”.

The provisions affected are listed in Schedule 7 to this Act.

Status:

Point in time view as at 31/07/1998.

Changes to legislation:

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