



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 3

TRADE PROFITS: BASIC RULES

[^{F1}Rules relating to calculation of profits]

Textual Amendments

- F1** [S. 27](#) cross-heading inserted (6.4.2024 for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 12, 47](#) (with [Sch. 10 paras. 48-50](#))

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—

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Cross Heading: Rules relating to calculation of profits. (See end of Document for details)

- (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.

[^{F2}28A Money's worth

- (1) Subsection (2) applies—
 - (a) for the purpose of bringing into account an amount arising in respect of a transaction involving money's worth entered into in the course of a trade, and
 - (b) if an amount at least equal to the amount that would be brought into account under that subsection is not otherwise brought into account as a receipt in calculating the profits of a trade under a provision of this Part other than a provision mentioned in subsection (3).
- (2) For the purpose of calculating the profits of the trade, an amount equal to the value of the money's worth is brought into account as a receipt if, had the transaction involved money, an amount would have been brought into account as a receipt in respect of it.
- (3) But where another provision of this Part makes express provision for the bringing into account of an amount in respect of money's worth as a receipt in calculating the profits of a trade (however expressed), that other provision applies instead of subsection (2).]

Textual Amendments

- F2** S. 28A inserted (with effect in accordance with s. 71(7) of the amending Act) by [Finance Act 2016](#) (c. 24), s. 71(2)

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.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Cross Heading: Rules relating to calculation of profits.