



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 deductions]

Textual Amendments

- F1** S. 31 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. 14, 47 (with Sch. 10 paras. 48-50)

31 Relationship between rules prohibiting and allowing deductions

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

[^{F4}(1A) But, if the relevant permissive rule would allow a deduction in calculating the profits of a trade in respect of an amount which arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements, that rule—

- (a) does not have priority under subsection (1)(a), and

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 deductions. (See end of Document for details)

- (b) is subject to any relevant prohibitive rule in this Part (and to the provisions mentioned in subsection (1)(b)).]
- (2) In this section “any relevant permissive rule in this Part” means any provision of—
- (a) Chapter 5 (apart from sections 60 to 67),
 - [^{F5}(aa) Chapter 5A,]
 - (b) Chapter 11, [^{F6} ...
 - (c) Chapter 13, [^{F7} or
 - (d) Chapter 17A,]
- 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 [^{F8}36, 38,] 48 and 55) which might otherwise be read as—
- (a) prohibiting the deduction, or
 - (b) restricting the amount of the deduction.
- [^{F9}(4) In this section “relevant tax avoidance arrangements” means arrangements—
- (a) to which the person carrying on the trade is a party, and
 - (b) the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage (within the meaning of section 1139 of CTA 2010).
- “Arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).]

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** S. 31(1A) inserted (with effect in accordance with s. 78(5)-(7) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 78\(1\)\(a\)](#)
- F5** S. 31(2)(aa) inserted (with effect in accordance with Sch. 5 para. 6 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 5 para. 3](#)
- F6** Word in s. 31(2)(b) omitted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 49](#)
- F7** S. 31(2)(d) and word inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 49](#)
- F8** 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\(3\)](#)
- F9** S. 31(4) inserted (with effect in accordance with s. 78(5)-(7) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 78\(1\)\(b\)](#)

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 deductions.