



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 17

ADJUSTMENT INCOME

Spreading of adjustment income: barristers and advocates

238 Spreading on ending of exemption for barristers and advocates

- (1) If an individual makes a change of basis—
 - (a) on ceasing to take advantage of the exemption given by section 160 (barristers and advocates in early years of practice), or
 - (b) on that exemption coming to an end,any adjustment income is spread over 10 tax years as follows.
- (2) In each of the 9 tax years beginning with that in which the whole amount of the adjustment income would otherwise be chargeable to tax, an amount equal to—
 - (a) one tenth of the amount of the adjustment income, or
 - (b) if less, 10% of the profits of the profession of the tax year,is treated as arising and is charged to tax.
- (3) For this purpose “the profits of the profession” means the profits as calculated for the purposes of this Part leaving out of account any allowances or charges under CAA 2001.

Status: Point in time view as at 01/04/2011.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Cross Heading: Spreading of adjustment income: barristers and advocates. (See end of Document for details)

- (4) In the tenth tax year the balance of the adjustment income is treated as arising and is charged to tax.
- (5) If, before the whole of the adjustment income has been charged to tax, the individual permanently ceases to carry on the profession, this section continues to apply but with the omission of the alternative limit in subsection (2)(b).
- (6) This section is subject to any election under section 239 (election to accelerate charge).

239 Election to accelerate charge under section 238

- (1) An individual who under section 238 is liable to tax for a tax year on an amount of adjustment income may elect for an additional amount to be treated as arising in the tax year.
- (2) The election must be made on or before the first anniversary of the normal self-assessment filing date for the tax year.
- (3) The election must specify the amount to be treated as income arising in the tax year (which may be any amount of the adjustment income not previously charged to tax).
- (4) If an election is made, section 238 applies in relation to any subsequent tax year as if the amount of adjustment income (as reduced by any previous application of this section) were reduced by the amount given by the following formula—

$$A \times \frac{10}{T}$$

where—

A is the additional amount treated as arising in the tax year for which the election is made, and

T is the number of tax years remaining after that tax year in the period of 10 tax years referred to in section 238.

Status:

Point in time view as at 01/04/2011.

Changes to legislation:

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