



# Income Tax (Trading and Other Income) Act 2005

## 2005 CHAPTER 5

### PART 2

#### TRADING INCOME

#### [<sup>F1</sup>CHAPTER 5A

#### TRADE PROFITS: DEDUCTIONS ALLOWABLE AT A FIXED RATE

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#### Textual Amendments

- F1** Pt. 2 Ch. 5A inserted (with effect in accordance with Sch. 5 para. 6 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 5 para. 2](#)

#### *Introduction*

#### **94B Professions and vocations**

The provisions of this Chapter apply to professions and vocations as they apply to trades.

#### **94C Provisions not applicable to certain firms**

The provisions of this Chapter do not apply in calculating the profits of a trade carried on by a firm for a period if one or more of the persons who have been partners in the firm at any time during the period was not an individual at that time.

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*Status: Point in time view as at 15/09/2016.*

*Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, CHAPTER 5A. (See end of Document for details)*

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### *Expenditure on vehicles*

#### **94D Expenditure on vehicles**

- (1) This section applies if, in calculating the profits of a trade of a person for a period—
  - (a) a deduction would otherwise be allowable for the period in respect of qualifying expenditure incurred in relation to a relevant vehicle (see subsection (2)), or
  - (b) a deduction would be so allowable in respect of such expenditure but for the fact it is capital expenditure.
- (2) In this section “relevant vehicle” means a car, motor cycle or goods vehicle that—
  - (a) is used for the purposes of the trade, and
  - (b) is not an excluded vehicle (see section 94E).
- (3) The person may make a deduction under this section for the period in respect of the qualifying expenditure.
- (4) If a deduction for a period is made under this section—
  - (a) no other deduction is allowed (for that or any other period) in respect of the qualifying expenditure, and
  - (b) this section applies in relation to the relevant vehicle for every subsequent period for which the vehicle is used for the purposes of the trade.
- (5) The amount of the deduction is the appropriate mileage amount in relation to the relevant vehicle for the period (see section 94F).
- (6) In this section “qualifying expenditure”, in relation to a vehicle, means any expenditure incurred in respect of the acquisition, ownership, hire, leasing or use of the vehicle, other than incidental expenses incurred in connection with a particular journey.
- (7) For provision preventing capital allowances from being claimed in respect of qualifying expenditure incurred in relation to a relevant vehicle, see section 38ZA of CAA 2001.

#### **94E Excluded vehicles**

- (1) A car, motor cycle or goods vehicle that is used for the purposes of a trade is an “excluded vehicle” for the purposes of section 94D if condition A or B is met in relation to the vehicle.
- (2) Condition A is that the person who is or has been carrying on the trade has at any time claimed any capital allowances under Part 2 of CAA 2001 in respect of any expenditure incurred on the provision of the vehicle.
- (3) Condition B is that—
  - (a) the vehicle is a goods vehicle or a motor cycle, and
  - (b) any of the expenditure incurred on acquiring the vehicle has been deducted in calculating the profits of the trade for a period on the cash basis (see section 25A).

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## 94F The appropriate mileage amount

- (1) In calculating the profits of a trade for a period, the appropriate mileage amount in relation to a relevant vehicle for the period is—

$$M \times R$$

where—

M is the number of miles of business journeys made by a person (other than as a passenger) using that vehicle in the period, and

R is the rate applicable to that kind of vehicle.

- (2) The rates applicable are as follows—

TABLE

<i>Kind of vehicle</i>	<i>Rate per mile</i>
Car or goods vehicle	45p for the first 10,000 miles 25p after that
Motor cycle	24p

- (3) In a case where the total number of miles of relevant business journeys made in the period is greater than 10,000, the rate of 45p per mile is available only in relation to 10,000 of those miles.

- (4) “Relevant business journey” means any business journey made in the period by a car or goods vehicle—

- that is used for the purposes of the trade, and
- in relation to which section 94D applies for the period.

- (5) In this section—

“business journey”, in relation to a vehicle used for the purposes of a trade, means any journey, or any identifiable part or proportion of a journey, that is made wholly and exclusively for the purposes of the trade, and

“relevant vehicle” has the same meaning as in section 94D.

- (6) The Treasury may by regulations amend subsection (2) so as to alter the rates or rate bands.

Regulations under this subsection may also make consequential amendments to subsection (3).

## 94G Definitions of types of vehicle

- (1) This section applies for the purposes of sections 94D to 94F (and this section).

- (2) “Car” means a mechanically propelled road vehicle which is not—

- a goods vehicle,
- a motor cycle,
- an invalid carriage, or

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- (d) a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used.
- (3) “Goods vehicle” means a mechanically propelled road vehicle which—
- (a) is of a construction primarily suited for the conveyance of goods or burden of any description, and
- (b) is not a motor cycle.
- (4) “Motor cycle” has the meaning given by section 185(1) of the Road Traffic Act 1988.
- (5) For the purposes of this section “invalid carriage” has the meaning given by section 185(1) of the Road Traffic Act 1988.

*Use of home for business purposes*

**94H Use of home for business purposes**

- (1) This section applies if, in calculating the profits of a trade of a person for a period, a deduction (“the standard deduction”) would otherwise be allowable for the period [F<sup>2</sup>in respect of—
- (a) the use of the person's home for the purposes of the trade, or
- (b) where the person is a firm, the use of a partner's home for those purposes.]
- (2) The person may, instead of making the standard deduction, make a deduction for the period under this section.
- (3) The amount of the deduction allowable for the period is the sum of the applicable amounts for each month, or part of a month, falling within the period.
- (4) The applicable amount for a month, or part of a month, is given by the following Table—

TABLE

<i>Number of hours worked</i>	<i>Applicable amount</i>
25 or more	£10.00
51 or more	£18.00
101 or more	£26.00

where the “number of hours worked” in a month (or part of a month) is the number of hours spent wholly and exclusively on [F<sup>3</sup>qualifying work].

[ Qualifying work” means—

- F<sup>4</sup>(4A) (a) work done by the person, or any employee of the person, in the person's home wholly and exclusively for the purposes of the trade, or
- (b) where the person is a firm, work done by a partner, or any employee of the firm, in the partner's home wholly and exclusively for those purposes.
- (4B) Where more than one person does qualifying work in the same home at the same time, any hour spent wholly and exclusively on that work is to be taken into account only once for the purposes of subsection (4).]

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(5) If the person<sup>F5</sup>, or, where the person is a firm, a partner of the firm,] has more than one home, this section has effect as if those homes were a single home.

[ Where a firm makes a deduction for a period under this section in respect of the use<sup>F6</sup>(5A) of a partner's home for the purposes of a trade, the only deduction which the firm may make for the period in respect of the use of any other partner's home for those purposes is a deduction under this section.]

(6) The Treasury may by regulations amend subsection (4) so as to alter the rates or rate bands.

#### Textual Amendments

- F2** Words in s. 94H(1) substituted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 24\(3\)](#)
- F3** Words in s. 94H(4) substituted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 24\(4\)](#)
- F4** S. 94H(4A)(4B) inserted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 24\(5\)](#)
- F5** Words in s. 94H(5) inserted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 24\(6\)](#)
- F6** S. 94H(5A) inserted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 24\(7\)](#)

#### *Premises used both as home and business premises*

### **94I Premises used both as a home and as business premises**

- (1) This section applies if—
- a person carries on a trade at any premises,
  - the premises are used mainly for the purposes of carrying on the trade, but are also <sup>F7</sup>used as a home by—
    - the person carrying on the trade, or
    - where that person is a firm, a partner of the firm,]
  - the person incurs expenses in relation to the premises,
  - the expenses are incurred mainly (but not wholly and exclusively) for the purposes of the trade, and
  - in calculating the profits of the trade for a period, a deduction (“the standard deduction”) would otherwise be allowable for the period in respect of a part or proportion of the expenses in accordance with section 34(2).
- (2) The person may, instead of making the standard deduction, make a deduction for the period under this section.
- (3) The amount of the deduction allowable for the period is the amount of the expenses less the non-business use amount.
- (4) The non-business use amount is the sum of the applicable amounts for each month, or part of a month, falling within the period.

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- (5) The applicable amount for a month, or part of a month, is given by the following Table—

TABLE

<i>Number of relevant occupants</i>	<i>Applicable amount</i>
1	£350
2	£500
3 or more	£650

- (6) For the purposes of subsection (5) “relevant occupant”, in relation to a month (or part of a month), means an individual who, at any time during that month (or that part of a month)—
- (a) occupies the premises as a home, or
  - (b) stays at the premises otherwise than in the course of the trade.

[ Where a person makes a deduction for a period under this section in respect of <sup>F8</sup>(6A) expenses incurred in relation to premises falling within subsection (1)(b), the only deduction which the person may make for the period in respect of expenses incurred in relation to any other premises falling within subsection (1)(b) is a deduction under this section.]

- (7) The Treasury may by regulations amend subsection (5) so as to alter the rates or rate bands.]

#### **Textual Amendments**

- F7** Words in s. 94I(1)(b) substituted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 24\(9\)](#)
- F8** S. 94I(6A) inserted (with effect in accordance with s. 24(11) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 24\(10\)](#)

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**Changes to legislation:**

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, CHAPTER 5A.