



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 9

TRADE PROFITS: FILMS AND SOUND RECORDINGS

Films and sound recordings: normal rules for allocating expenditure

135 Films and sound recordings: production or acquisition expenditure

- (1) This section applies for the purpose of calculating the profits of a trade of a relevant period if—
 - (a) the trade consists of or includes the exploitation of the original master versions of films or sound recordings,
 - (b) the original master versions do not constitute trading stock of the trade (within the meaning of section 174),
 - (c) the person carrying on the trade incurs production or acquisition expenditure in, or before, the relevant period, and
 - (d) no election under section 143 below or section 40D of F(No.2)A 1992 has effect in relation to the expenditure.
- (2) A deduction is allowed for the amount of the production or acquisition expenditure allocated to the relevant period, but this is subject to the application of any prohibitive rule.
- (3) The person carrying on the trade must allocate to the relevant period so much of the expenditure as is just and reasonable (but see subsection (5)).

Status: Point in time view as at 06/04/2005. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 135. (See end of Document for details)

- (4) In making this allocation regard must be had to the following—
- (a) the amount of the expenditure which remains unallocated at the beginning of the period,
 - (b) the amount of the expenditure incurred in the period,
 - (c) the proportion which the estimated value of the original master version realised in the period (by way of income or otherwise) bears to the sum of the value so realised and the estimated remaining value at the end of the period, and
 - (d) the need to bring the whole of the expenditure into account over the time during which the value of the original master version is expected to be realised.
- (5) The person carrying on the trade may also allocate to the relevant period a further amount, so long as the total amount allocated to the period does not exceed the value of the original master version realised in the period (by way of income or otherwise).
- (6) Expenditure may not be allocated to the relevant period under this section if it is allocated—
- (a) under this section to any other relevant period,
 - (b) under any other provision of this Chapter to the relevant period or any other relevant period,
 - (c) under section 40B of F(No.2)A 1992 (corporation tax provision corresponding to this section) to any other relevant period, or
 - (d) under section 41 of that Act (corporation tax provision corresponding to section 137 below) or 42 of that Act (corporation tax provision corresponding to sections 138 to 140 below) to the relevant period or any other relevant period.
- (7) If any expenditure in respect of the original master version is allocated to the relevant period—
- (a) under any other provision of this Chapter, or
 - (b) under section 41 or 42 of F(No.2)A 1992,
- no other production or acquisition expenditure in respect of the original master version may be allocated to the relevant period under this section.

Status:

Point in time view as at 06/04/2005. This version of this provision has been superseded.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 135.