



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 16

AVERAGING PROFITS OF FARMERS AND CREATIVE ARTISTS

221 Claim for averaging of fluctuating profits

- (1) This Chapter enables an individual (a “taxpayer”) to make a claim (an “averaging claim”) if—
- (a) the taxpayer is, or has been, carrying on a qualifying trade, profession or vocation (alone or in partnership), and
 - (b) the taxpayer’s profits from it (“the relevant profits”) fluctuate from one tax year to the next.
- (2) A trade, profession or vocation is a “qualifying trade, profession or vocation” if—
- (a) it is farming or market gardening in the United Kingdom,
 - (b) it is the intensive rearing in the United Kingdom of livestock or fish on a commercial basis for the production of food for human consumption, or
 - (c) the taxpayer’s profits from it are derived wholly or mainly from creative works.
- (3) For this purpose “creative works” means—
- (a) literary, dramatic, musical or artistic works, or
 - (b) designs,
- created by the taxpayer personally or, if the qualifying trade, profession or vocation is carried on in partnership, by one or more of the partners personally.

Status: *This is the original version (as it was originally enacted).*

- (4) For the purposes of this Chapter references to the relevant profits of a tax year are to profits before making any deduction for a loss made in any tax year.
- (5) If the taxpayer makes a loss in the qualifying trade, profession or vocation in a tax year, the relevant profits of the tax year for the purposes of this Chapter are nil.