



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 3

TRADE PROFITS: BASIC RULES

[^{F1}Basis of accounting]

[^{F1}25B Excluded trades

- (1) A trade is an excluded trade in relation to a tax year if the trade meets any of conditions A to G.
- (2) Condition A is that—
 - (a) the person who is or has been carrying on the trade is a firm, and
 - (b) one or more of the persons who have been partners in the firm at any time during the tax year was not an individual at that time.
- (3) Condition B is that the person who is or has been carrying on the trade was a limited liability partnership at any time during the tax year.
- (4) Condition C is that an election under Chapter 8 (trade profits: herd basis rules) has effect in relation to the trade for the tax year.
- (5) Condition D is that a claim under Chapter 16 (claim for averaging of fluctuating profits) has been made in relation to the trade for the tax year.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 25B. (See end of Document for details)

- (6) Condition E is that, at any time within the period of 7 years ending immediately before the tax year, the person who is or has been carrying on the trade obtained an allowance under Part 3A of CAA 2001 (business premises renovation allowances) in relation to the trade.
- (7) Condition F is that the trade is or was at any time during the tax year a mineral extraction trade within the meaning of Part 5 of CAA 2001 (see section 394(2) of that Act).
- (8) Condition G is that—
- (a) at any time before the beginning of the tax year the person who is or has been carrying on the trade obtained an allowance under Part 6 of CAA 2001 (research and development allowances) in respect of qualifying expenditure incurred by the person in relation to the trade, and
 - (b) the person owns an asset representing the expenditure.

In this subsection “qualifying expenditure” has the same meaning as in Part 6 of CAA 2001.

- (9) The Treasury may by regulations amend this section.
- (10) A statutory instrument containing regulations under [subsection \(9\)](#) that restricts the circumstances in which an election may be made under [section 25C](#) may not be made unless a draft of the instrument containing the regulations has been laid before, and approved by a resolution of, the House of Commons.]

Textual Amendments

- F1** [S. 25B](#) inserted (6.4.2024 for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 11, 47](#) (with [Sch. 10 paras. 48-50](#))

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 25B.