# Income Tax (Trading and Other Income) Act 2005

**2005 CHAPTER 5**

**PART 3**

PROPERTY INCOME

**CHAPTER 3**

PROFITS OF PROPERTY BUSINESSES: BASIC RULES

*[[F1]Basis of calculation of profits*

### [[F1]271A Basis of calculation of profits: GAAP required

(1) The profits of a property business for a tax year must be calculated in accordance with GAAP if condition A, B, C, D or E is met.

(2) Condition A is that the business is carried on at any time in the tax year by—

- (a) a company,
- (b) a limited liability partnership,
- (c) a corporate firm, or
- (d) the trustees of a trust.

(3) For the purposes of subsection (2) a firm is a "corporate firm" if a partner in the firm is not an individual.

(4) Condition B is that the cash basis receipts for the tax year exceed £150,000.

(5) In subsection (4) "the cash basis receipts for the tax year" means the total of the amounts that would be brought into account as receipts in calculating the profits of the property business for the tax year on the cash basis (see section 271D).

(6) If the property business is carried on for only part of the tax year, the sum given in subsection (4) is proportionately reduced.

(7) Condition C is that—

(a) the property business is carried on by an individual ("P"),

(b) a share of joint property income is brought into account in calculating the profits of the business for the tax year,

(c) a share of that joint property income is brought into account in calculating the profits for the tax year of a property business carried on by another individual ("Q's property business"), and

(d) the profits of Q's property business for the tax year are calculated in accordance with GAAP.

(8) In subsection (7) "joint property income" means income to which P and Q are treated for income tax purposes as beneficially entitled in equal shares by virtue of section 836 of ITA 2007.

(9) Condition D is that—

(a) an allowance under Part 3A of CAA 2001 (business premises renovation allowances) is made at any time in calculating the profits of the property business, and

(b) if the profits of the business were to be calculated in accordance with GAAP for the tax year, there would be a day in the tax year on which the occurrence of a balancing event (within the meaning of that Part) would give rise to a balancing adjustment for the tax year (see section 360M of that Act).

(10) Condition E is that an election under this subsection made by the person who is or has been carrying on the property business has effect in relation to the business for the tax year.

(11) An election under subsection (10) must be made on or before the first anniversary of the normal self-assessment filing date for the tax year for which the election is made.

(12) The Treasury may by regulations—

(a) amend subsection (2);

(b) amend subsection (4) so as to substitute another sum for the sum for the time being specified in that subsection.

(13) A statutory instrument containing regulations under subsection (12) may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.

(14) Subsection (13) does not apply if the regulations omit one or more paragraphs of subsection (2) and make no other provision.**]**

**Textual Amendments**

**F1** Ss. 271A-271D and cross-heading inserted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 2 para. 13**

**Changes to legislation:**
There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 271A.