



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 6

TRADE PROFITS: RECEIPTS

Capital receipts

[^{F1}96A Cash basis: capital receipts

- (1) This section applies if—
 - (a) the whole or part of any expenditure incurred in acquiring, creating or improving an asset has been brought into account in calculating the profits of a trade of a person on the cash basis, or
 - (b) the whole or part of any such expenditure would have been so brought into account if an election under section 25A had had effect in relation to the trade at the time the expenditure was paid.
- (2) The following amounts are to be brought into account as a receipt in calculating the profits of the trade on the cash basis—
 - (a) any proceeds arising from the disposal of the asset or any part of it;
 - (b) any proceeds arising from the grant of any right in respect of, or any interest in, the asset;
 - (c) any amount of damages, proceeds of insurance or other compensation received in respect of the asset.

Status: Point in time view as at 17/07/2013. This version of this provision has been superseded.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 96A. (See end of Document for details)

- (3) In a case where only part of the expenditure incurred in acquiring, creating or improving an asset has been, or would have been, brought into account as mentioned in subsection (1), the amount brought into account under subsection (2) is proportionately reduced.
- (4) If—
- (a) at any time the person ceases to use the asset or any part of it for the purposes of the trade, but
 - (b) the person does not dispose of the asset (or that part) at that time,
- the person is to be regarded for the purposes of this section as disposing of the asset (or that part) at that time for an amount equal to the market value amount.
- (5) If at any time there is a material increase in the person's non-business use of the asset or any part of it, the person is to be regarded for the purposes of this section as disposing of the asset (or that part) at that time for an amount equal to the relevant proportion of the market value amount.
- (6) For the purposes of subsection (5)—
- (a) there is an increase in a person's non-business use of an asset (or part of an asset) if—
 - (i) the proportion of the person's use of the asset (or that part) that is for the purposes of the trade decreases, and
 - (ii) the proportion of the person's use of the asset (or that part) that is for other purposes (the “non-business use”) increases;
 - (b) “the relevant proportion” is the difference between—
 - (i) the proportion of the person's use of the asset (or part of the asset) that is non-business use, and
 - (ii) the proportion of the person's use of the asset (or that part) that was non-business use before the increase mentioned in subsection (5).
- (7) In this section “the market value amount” means the amount that would be regarded as normal and reasonable—
- (a) in the market conditions then prevailing, and
 - (b) between persons dealing with each other at arm's length in the open market.]

Textual Amendments

- F1** S. 96A inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 20](#)

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