



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 2

#### BASIC PROVISIONS

### CHAPTER 3

#### CALCULATION OF INCOME TAX LIABILITY

#### **25 Reliefs and allowances deductible at Steps 2 and 3: supplementary**

- (1) This section supplements the provisions about reliefs and allowances in Steps 2 and 3 of the calculation in section 23.
- (2) At Steps 2 and 3, deduct the reliefs and allowances in the way which will result in the greatest reduction in the taxpayer's liability to income tax.
- (3) Subsection (2) is subject to—
  - section 65(2) to (4) (priority rule in relation to trade loss relief against general income),
  - section 80(2) (ring fence income),
  - section 83(3) and (4) (carry-forward trade loss relief against trade profits),
  - section 89(3) (terminal trade loss relief against trade profits),
  - section 93(2) (terminal trade loss relief and mineral extraction trade),
  - section 95(2) (foreign trades etc reliefs only against qualifying foreign income),
  - section 115(2) (restrictions on reliefs for firms exploiting films),
  - section 118(3) and (4) (carry-forward property loss relief against property business profits),
  - section 121(2) and (3) (priority rule in relation to property loss relief against general income),
  - section 129(2) to (4) (priority rule in relation to employment loss relief against general income),

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*Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Section 25. (See end of Document for details)*

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section 133(4) (share loss relief against general income),  
 section 152(4) and (7) (loss relief against miscellaneous income),  
 [F1 sections 412A(4), 412B(3) and 412C(3) (relief for irrecoverable peer-to-peer loans only against interest on certain loans),]  
 sections 574(3) to (8) and 575 (manufactured dividends on UK shares: restrictions on deductions),  
 section 579(2) to (5) and 580 (manufactured interest on UK securities: restrictions on deductions),  
 section 258 of CAA 2001 (special leasing of plant or machinery),  
 F2 ...  
 section 479 of that Act (persons having qualifying non-trade expenditure),  
 section 601 of ITTOIA 2005 (how relief for patent expenses is given), and  
 any other provision of the Income Tax Acts under which reliefs or allowances deductible at Step 2 or 3 are not permitted to be deducted from particular components of income or are required to be deducted from particular components of income or in a different order.

- (4) A relief or allowance may be deducted at Step 2 or 3 only so far as there is sufficient income from which to deduct it.
- (5) In deciding whether there is sufficient income from which to deduct a relief or allowance, reliefs and allowances already deducted at Step 2 or 3 must be taken into account.
- (6) Nothing in Step 2 or 3 is to be read as permitting a relief or allowance to be deducted more than once.

#### **Textual Amendments**

- F1** Words in s. 25(3) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 32\(4\)](#)
- F2** S. 25(3) entry omitted (21.7.2008 with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 27\(3\)](#)

#### **Modifications etc. (not altering text)**

- C1** S. 25(2) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 6 para. 1\(6\)](#)
- C2** S. 25(2) excluded by 2005 c. 5, s. 535(8) (as inserted (with effect in relation to the tax year 2019-20 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 37\(2\)\(5\)](#) (with s. 37(6)))
- C3** [S. 25\(2\)](#) modified (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 2 para. 1\(6\)](#) (with [Sch. 2 para. 3\(2\)\(3\)](#))
- C4** [S. 25\(2\)](#) modified (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 2 para. 2\(6\)](#) (with [Sch. 2 para. 3\(2\)\(3\)](#))

**Changes to legislation:**

There are currently no known outstanding effects for the Income Tax Act 2007, Section 25.