
EXPLANATORY NOTE

(This note is not part of the Order)

Section 31B of the Income Tax (Trading and Other Income) Act 2005 sets the relevant maximum, which is the threshold for turnover above which an individual carrying on a trade, profession or vocation cannot use the cash basis to calculate their profits for income tax (but must calculate them in accordance with generally accepted accounting practice instead). Such an election may be made under section 25A if the conditions in section 31A are met. The relevant maximum is relevant for section 31A(2) (Condition A).

This Order amends section 31B for the tax year 2017-18 and subsequent tax years to increase the turnover threshold for exiting the cash basis (see subsections (3) and (4)) from an amount equal to twice the VAT threshold to an amount equal to £300,000. It increases the turnover limit up to which an individual can enter the cash basis (the relevant maximum, see subsection (5)) from the VAT threshold to £150,000 or, in the case of universal credit claimants, £300,000. The amended thresholds are limited so that they may not fall below levels linked to the VAT threshold.

A Tax Information and Impact Note covering this instrument was published on 31st January 2017 alongside the draft instrument. This has been updated as a result of changes to the impacts as a result of this instrument and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.