



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 18

POST-CESSATION RECEIPTS

Sums treated as post-cessation receipts

248 Debts paid after cessation

- (1) Subsection (2) applies if, in calculating the profits of a trade for income or corporation tax purposes, a deduction is made in respect of a debt under—
 - (a) section 35 (bad and doubtful debts), or
 - (b) section 74(1)(j) of ICTA (corresponding corporation tax provision),and a person permanently ceases to carry on the trade.
- (2) A sum received after the cessation is treated as a post-cessation receipt so far as the deduction is made.
- (3) Subsection (4) applies if relief is given under [^{F1}section 96 of ITA 2007](relief for post-cessation expenditure) [^{F2}as a result of subsection (1)(b) of that section] in respect of a debt owed to a person who has permanently ceased to carry on a trade.
- (4) A sum received by the person in payment of the debt is treated as a post-cessation receipt so far as relief is given in respect of the sum.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax (Trading and Other Income) Act 2005. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

- F1** Words in s. 248(3) substituted (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1034, [Sch. 1 para. 503\(a\)](#)
- F2** Words in s. 248(3) inserted (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1034, [Sch. 1 para. 503\(b\)](#)

249 Debts released after cessation

- (1) This section applies if—
- in calculating the profits of a trade for any period for income or corporation tax purposes, a deduction is allowed for the expense giving rise to a debt owed by the person who carried on the trade,
 - the person has permanently ceased to carry on the trade at or after the end of that period,
 - after the cessation, all or part of the debt is released, and
 - the release is not part of a statutory insolvency arrangement.
- (2) The amount released is treated as a post-cessation receipt.
- (3) For the purposes of this section the reference to a person permanently ceasing to carry on a trade includes [^{F3}a reference to a company ceasing to be within the charge to corporation tax in respect of a trade.]

Textual Amendments

- F3** Words in s. 249(3) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 613](#) (with [Sch. 2 Pts. 1, 2](#))

250 Receipts relating to post-cessation expenditure

- (1) This section applies if a person who has permanently ceased to carry on a trade makes a payment in circumstances where relief is available under [^{F4}section 96 of ITA 2007](relief for post-cessation expenditure).
- (2) The following sums are treated as post-cessation receipts—
- in the case of a payment within [^{F5}section 97(2) or (3) of ITA 2007](payment to remedy defective work etc. or to defray expenses of a claim), the proceeds of insurance, or other sum received, for the purpose of enabling the payment to be made or by means of which it is reimbursed,
 - in the case of a payment within [^{F6}section 97(4) of ITA 2007](payment to insure against claims for defective work etc.), a refund of the premium, or other sum received, in connection with the insurance, and
 - in the case of a payment within [^{F7}section 97(5) of ITA 2007](payment for the purpose of collecting a debt), any sum received towards the cost of collecting the debt.
- (3) If a sum mentioned in subsection (2) is received in a tax year earlier than the tax year in which the related payment is made, it is treated as having been received in the later tax year (and not the earlier tax year).

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- (4) Any adjustment required to give effect to subsection (3) is to be made by way of—
- (a) amendment of an assessment, or
 - (b) discharge or repayment of tax.

Textual Amendments

- F4** Words in s. 250(1) substituted (6.4.2007 with effect as noted in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1034, [Sch. 1 para. 504\(2\)](#) (with transitional provisions and savings in [Sch. 2](#))
- F5** Words in s. 250(2)(a) substituted (6.4.2007 with effect as noted in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1034, [Sch. 1 para. 504\(3\)\(a\)](#) (with transitional provisions and savings in [Sch. 2](#))
- F6** Words in s. 250(2)(b) substituted (6.4.2007 with effect as noted in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1034, [Sch. 1 para. 504\(3\)\(b\)](#) (with transitional provisions and savings in [Sch. 2](#))
- F7** Words in s. 250(2)(c) substituted (6.4.2007 with effect as noted in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1034, [Sch. 1 para. 504\(3\)\(c\)](#) (with transitional provisions and savings in [Sch. 2](#))

251 Transfer of rights if transferee does not carry on trade

- (1) This section applies if—
- (a) a person (“the transferor”) permanently ceases to carry on a trade,
 - (b) the transferor transfers to another person (“the transferee”) for value the right to receive sums arising from the carrying on of the trade, and
 - (c) the transferee does not subsequently carry on the trade.
- (2) The transferor is treated as receiving a post-cessation receipt.
- (3) The amount of the receipt is—
- (a) the amount or value of the consideration for the transfer, if the transfer is at arm's length, or
 - (b) the value of the rights transferred as between parties at arm's length, if the transfer is not at arm's length.
- (4) Any sums mentioned in subsection (1)(b) which are received after the cessation of the trade are not post-cessation receipts.
- (5) This section is subject to—
- (a) section 252 (transfer of trading stock or work in progress), and
 - (b) section 253 (lump sums paid to personal representatives for copyright etc.).

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 7A-7D inserted by [2022 c. 3 Sch. 1 para. 3](#)
- s. 31E(4) inserted by [2022 c. 3 Sch. 1 para. 7\(3\)](#)
- s. 649(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 11\(2\)](#)
- s. 679(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(5\)\(b\)](#)
- s. 679A(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(6\)\(b\)](#)
- s. 680(1A) inserted by [2023 c. 30 Sch. 2 para. 11\(7\)\(a\)](#)