



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 3

PROPERTY INCOME

CHAPTER 1

INTRODUCTION

260 Overview of Part 3

- (1) This Part imposes charges to income tax under—
 - (a) Chapter 3 (the profits of a UK property business or an overseas property business),
 - (b) Chapter 7 (amounts treated as adjustment income under section 330),
 - (c) Chapter 8 (rent receivable in connection with a UK section 12(4) concern),
 - (d) Chapter 9 (rent receivable for UK electric-line wayleaves), [^{F1} and]
 - (e) Chapter 10 (post-cessation receipts arising from a UK property business)^{F2} ...
 - ^{F2}(f)
- (2) Part 6 deals with exemptions from the charges under this Part.
- (3) See, in particular, the exemptions under sections 769 (housing grants), 777 (VAT repayment supplements) and 778 (incentives to use electronic communications).
- (4) The charges under Chapters 3, 7, 8, 9 and 10 apply to non-UK residents as well as UK residents but this is subject to section 269 (charges on non-UK residents only on UK source income).
- (5) This section needs to be read with the relevant priority rules (see sections 2 and 261).

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

- F1** Word in s. 260(1)(d) inserted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 47\(a\)](#)
- F2** S. 260(1)(f) omitted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 47\(b\)](#)

261 Provisions which must be given priority over Part 3

Any receipt or other credit item, so far as it falls within—

- (a) Chapter 3 of this Part so far as it relates to an overseas property business or Chapter 8 or 9 of this Part (rent receivable in connection with a UK section 12(4) concern or for UK electric-line wayleaves), and
- (b) Chapter 2 of Part 2 (receipts of a trade, profession or vocation),
is dealt with under Part 2.

262 Priority between Chapters within Part 3

- (1) Any receipt, so far as it falls within—
 - (a) Chapter 3 so far as it relates to a UK property business, and
 - (b) Chapter 8 (rent receivable in connection with a UK section 12(4) concern),
is dealt with under Chapter 8.
- (2) Any receipt, so far as it falls within—
 - (a) Chapter 3 so far as it relates to a UK property business, and
 - (b) Chapter 9 (rent receivable for UK electric-line wayleaves),
is dealt with under Chapter 9.
- (3) Any receipt, so far as it falls within Chapter 8 (rent receivable in connection with a UK section 12(4) concern) and Chapter 9 (rent receivable for UK electric-line wayleaves),
is dealt with under Chapter 9.

CHAPTER 2

PROPERTY BUSINESSES

Introduction

263 Introduction

- (1) This Chapter explains for the purposes of this Act what is meant by—
 - (a) a person's UK property business (see section 264), and
 - (b) a person's overseas property business (see section 265).
- (2) Both those sections need to be read with—
 - (a) section 266 (which explains what is meant by generating income from land),
and

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- (b) section 267 (which provides that certain activities do not count as activities for generating income from land).
- (3) In the case of the property business of a firm, the basic rules in sections 264 and 265 are explained in section 859(2) and (3).
- (4) References in this Act to an overseas property business are to an overseas property business so far as any profits of the business are chargeable to tax under Chapter 3 (as to which see, in particular, section 269).
- (5) Accordingly, nothing in Chapter 4 or 5 is to be read as treating an amount as a receipt of an overseas property business if the profits concerned would not be chargeable to tax under Chapter 3.
- (6) In this Act “property business” means a UK property business or an overseas property business.

Basic meaning of UK and overseas property business

264 UK property business

A person's UK property business consists of—

- (a) every business which the person carries on for generating income from land in the United Kingdom, and
- (b) every transaction which the person enters into for that purpose otherwise than in the course of such a business.

265 Overseas property business

A person's overseas property business consists of—

- (a) every business which the person carries on for generating income from land outside the United Kingdom, and
- (b) every transaction which the person enters into for that purpose otherwise than in the course of such a business.

Generating income from land

266 Meaning of “generating income from land”

- (1) In this Chapter “generating income from land” means exploiting an estate, interest or right in or over land as a source of rents or other receipts.
- (2) “Rents” includes payments by a tenant for work to maintain or repair leased premises which the lease does not require the tenant to carry out.
- (3) “Other receipts” includes—
 - (a) payments in respect of a licence to occupy or otherwise use land,
 - (b) payments in respect of the exercise of any other right over land, and
 - (c) rentcharges and other annual payments reserved in respect of, or charged on or issuing out of, land.

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- (4) For the purposes of this section a right to use a caravan or houseboat at only one location is treated as a right deriving from an estate or interest in land.

267 Activities not for generating income from land

For the purposes of this Chapter the following activities are not carried on for generating income from land—

- (a) farming or market gardening in the United Kingdom (but see section 9 (UK farming or market gardening treated as trade)),
- (b) any other occupation of land (but see section 10 (certain commercial occupation of UK land treated as trade)), and
- (c) activities for the purposes of a concern to which section 12 applies (profits of mines, quarries etc.).

CHAPTER 3

PROFITS OF PROPERTY BUSINESSES: BASIC RULES

Charge to tax on profits of a property business

268 Charge to tax on profits of a property business

Income tax is charged on the profits of a property business.

269 Territorial scope of charge to tax

- (1) Profits of a UK property business are chargeable to tax under this Chapter whether the business is carried on by a UK resident or a non-UK resident.
- (2) Profits of an overseas property business are chargeable to tax under this Chapter only if the business is carried on by a UK resident.

^{F3}(3)

^{F4}(4)

Textual Amendments

F3 S. 269(3) omitted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 48](#)

F4 S. 269(4) omitted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 48](#)

270 Income charged

- (1) Tax is charged under this Chapter on the full amount of the profits arising in the tax year.
- (2) Subsection (1) is subject to Part 8 (foreign income: special rules).

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- [^{F5}(3) If, as respects an individual carrying on an overseas property business, the tax year is a split year—
- (a) tax is charged under this Chapter on so much of the profits referred to in subsection (1) as arise in the UK part of the tax year, and
 - (b) the portion of the profits arising in the overseas part of the tax year is, accordingly, not chargeable to tax under this Chapter.
- (4) In determining how much of the profits arise in the UK part of the tax year—
- (a) determine first how much of the non-CAA profits arise in the UK part by apportioning the non-CAA profits between the UK part and the overseas part on a just and reasonable basis, and
 - (b) then adjust the portion of the non-CAA profits arising in the UK part by deducting any CAA allowances for the year and adding any CAA charges for the year.
- (5) In subsection (4)—
- “CAA allowances” means allowances treated under section 250 or 250A of CAA 2001 (capital allowances for overseas property businesses) as an expense of the business;
 - “CAA charges” means charges treated under either of those sections as a receipt of the business;
 - “non-CAA profits” means profits before account is taken of any CAA allowances or CAA charges.]

Textual Amendments

- F5** S. 270(3)-(5) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 81](#)

271 Person liable

The person liable for any tax charged under this Chapter is the person receiving or entitled to the profits.

[^{F6}Basis of calculation of profits

Textual Amendments

- F6** 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](#)

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,

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- (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.

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

271B Calculation of profits in accordance with GAAP

- (1) In this Part, references to calculating the profits of a property business in accordance with GAAP are to calculating the profits in accordance with generally accepted accounting practice, subject to any adjustment required or authorised by law in calculating profits for income tax purposes.
- (2) A requirement under this Part to calculate profits in accordance with GAAP does not—
- require a person to comply with the requirements of the Companies Act 2006 or subordinate legislation made under that Act except as to the basis of calculation, or
 - impose any requirements as to audit or disclosure.
- (3) See section 272 (application of trading income rules: GAAP) which applies only where profits are calculated in accordance with GAAP.

271C Basis of calculation of profits: cash basis required

The profits of a property business for a tax year must be calculated on the cash basis if none of conditions A, B, C, D or E in section 271A is met.

271D Calculation of profits on the cash basis

- (1) In this Part, references to calculating the profits of a property business on the cash basis are to calculating the profits in accordance with subsections (2) and (3).
- (2) In calculating the profits, receipts of the business are brought into account at the time they are received, and expenses of the business are brought into account at the time they are paid.
- (3) Subsection (2) is subject to any adjustment required or authorised by law in calculating profits for income tax purposes.
- (4) For provision about the application of Chapter 4 (profits of property businesses: lease premiums etc) in relation to profits calculated on the cash basis, see section 276A.
- (5) For provision about the application of Chapter 5 (rules about deductions and receipts) in relation to profits calculated on the cash basis, see section 307A.
- (6) The following provisions apply only where profits are calculated on the cash basis—
- section 272ZA (application of trading income rules: cash basis), and
 - Chapter 7A (cash basis: adjustments for capital allowances).]

Calculation of profits [F7: application of trading income rules]

Textual Amendments

- F7** Words in s. 272 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. 14](#)

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[^{F8}271E Profits of a property business: application of trading income rules

- (1) The profits of a property business are calculated in the same way as the profits of a trade.
- (2) But this is subject to—
 - (a) section 272, which limits the rule in subsection (1) in relation to a property business whose profits are calculated in accordance with GAAP, and
 - (b) section 272ZA, which limits that rule in relation to a property business whose profits are calculated on the cash basis.]

Textual Amendments

- F8** S. 271E 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. 15**

272 [^{F9}Application of trading income rules: GAAP]

^{F10}(1)

- (2) [^{F11}In relation to a property business whose profits are calculated in accordance with GAAP, the provisions of Part 2 (trading income) which apply as a result of section 271E(1) are limited to the following—]

In Chapter 3 (basic rules)—

F12

F12

. . .

. . .

section 26

losses calculated on same basis as profits

section 27

receipts and expenses

section 28

items treated under CAA 2001 as receipts and expenses

[^{F13}section 28A

money's worth]

section 29

interest

In Chapter 4 (rules restricting deductions)—

section 33

capital expenditure

section 34

expenses not wholly and exclusively for trade and unconnected losses

section 35

bad and doubtful debts

sections 36 and 37

unpaid remuneration

sections 38 to 44

employee benefit contributions

sections 45 to 47

business entertainment and gifts

sections 48 to [^{F14}50B]

car
F15

... hire

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F16	F16
.....
section 52	exclusion of double relief for interest
section 53	social security contributions
section 54	penalties ^{F17} , interest and VAT surcharges ^{F17} and interest]
section 55	crime-related payments
^{F18} section 55A	expenditure on integral features]
<i>In Chapter 5 (rules allowing deductions)—</i>	
section 57	pre-trading expenses
sections 58 and 59	incidental costs of obtaining finance
F19	F19
...	...
section 69	payments for restrictive undertakings
sections 70 and 71	seconded employees
section 72	payroll deduction schemes: contributions to agents' expenses
sections 73 to 75	counselling and retraining expenses
sections 76 to 80	redundancy payments etc.
section 81	personal security expenses
sections 82 to 86	contributions to local enterprise organisations or urban regeneration companies
^{F20} sections 86A and 86B	contributions to flood and coastal erosion risk management projects]
sections 87 and 88	scientific research
sections 89 and 90	expenses connected with patents, designs and trade marks
section 91	payments to Export Credits Guarantee Department
^{F21} section 94A	costs of setting up SAYE option scheme or CSOP scheme]
^{F22} section 94AA	deductions in relation to salaried members of limited liability partnerships]
^{F23} <i>In Chapter 5A (deductions allowable at a fixed rate)</i>	
section 94C	exclusion of provisions of Chapter 5A for firms with partner who is not an individual
sections 94D to 94G	expenditure on vehicles]

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In Chapter 6 (receipts)—

section 96	capital receipts
section 97	debts incurred and later released
section 104	distribution of assets of mutual concerns
section 105	industrial development grants
section 106	sums recovered under insurance policies etc.

In Chapter 7 (gifts to charities etc.)—

section 109	receipt by donor or connected person of benefit attributable to certain gifts
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[^{F24}In Chapter 10A (long funding leases)—

Sections 148A to 148J	Leases of plant or machinery: special rules for long funding leases]
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In Chapter 11 (other specific trades)—

section 155	levies and repayments under FISMA 2000
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In Chapter 13 (deductions from profits)—

sections 188 to 191	unremittable amounts
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- (3) In those provisions the expression “this Part” is to be read as a reference to those provisions as applied by subsection (2) and to the other provisions of Part 3.

Textual Amendments

- F9** S. 272 heading substituted (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. 16\(2\)](#)
- F10** S. 272(1) omitted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 16\(3\)](#)
- F11** Words in s. 272(2) substituted (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. 16\(4\)](#)
- F12** S. 272(2) entry omitted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 16\(5\)](#)
- F13** Words in s. 272(2) Table inserted (with effect in accordance with s. 71(7) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 71\(3\)](#)
- F14** Word in s. 272(2) Table substituted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 11 para. 41\(a\)](#)
- F15** Words in s. 272(2) Table omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 11 para. 41\(b\)](#)
- F16** S. 272(2) Table: entry repealed (6.4.2007 with effect as stated in [s. 1034\(1\)](#) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1027, 1031, 1034, Sch. 1 para. 507, {Sch. 3 Pt. 1} (with transitional provisions and savings in Sch. 2)
- F17** Words in [s. 272\(2\)](#) substituted (1.1.2023 for specified purposes) by [Finance Act 2021 \(c. 26\)](#), [s. 118\(2\)](#), [Sch. 27 para. 32](#); [S.I. 2022/1278](#), [reg. 2\(3\)\(4\)\(b\)](#)
- F18** Words in s. 272(2) Table inserted (with effect in accordance with s. 73(6) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [s. 73\(5\)](#)

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- F19** Words in s. 272(2) Table omitted (with effect in accordance with s. 72(4) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 72\(2\)\(b\)](#)
- F20** Words in s. 272(2) Table inserted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 5 para. 2](#)
- F21** Words in s. 272(2) Table inserted (1.4.2010) (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 7 para. 29](#) (with [Sch. 9 paras. 1-9, 22](#))
- F22** Words in s. 272(2) Table inserted (6.4.2014) by [Finance Act 2014 \(c. 26\), Sch. 17 paras. 3\(3\), 6](#)
- F23** Words in s. 272(2) Table inserted (with effect in accordance with s. 36(8) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(4\)](#)
- F24** S. 272(2) Table: entry relating to Ch. 10A (long funding leases) inserted (with effect as mentioned in [Sch. 8 para. 15](#) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 81, Sch. 8 para. 14\(2\)](#)

[^{F25}272Z] **Application of trading income rules: cash basis**

- (1) In relation to a property business whose profits are calculated on the cash basis, the provisions of Part 2 (trading income) which apply as a result of section 271E(1) are limited to the following—

“In Chapter 3 (basic rules)—

- | | |
|-------------|--|
| section 26 | losses calculated on same basis as profits |
| section 28A | money's worth |
| section 29 | interest |

In Chapter 4 (rules restricting deductions)—

- | | |
|--------------------------|---|
| section 34 | expenses not wholly and exclusively for trade and unconnected losses |
| sections 38 to 42 and 44 | employee benefit contributions |
| sections 45 to 47 | business entertainment and gifts |
| section 52 | exclusion of double relief for interest |
| section 53 | social security contributions |
| section 54 | penalties ^[F26] , interest and VAT surcharges ^[F26] and interest ^[F26] |
| section 55 | crime-related payments |
| section 55A | expenditure on integral features |

In Chapter 5 (rules allowing deductions)—

- | | |
|--------------------|--|
| section 57 | pre-trading expenses |
| sections 58 and 59 | incidental costs of obtaining finance |
| section 69 | payments for restrictive undertakings |
| sections 70 and 71 | seconded employees |
| section 72 | payroll deduction schemes: contributions to agents' expenses |
| sections 73 to 75 | counselling and retraining expenses |
| sections 76 to 80 | redundancy payments etc |

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section 81	personal security expenses
sections 82 to 86	contributions to local enterprise organisations or urban regeneration companies
sections 86A and 86B	contributions to flood and coastal erosion risk management projects
sections 87 and 88	scientific research
sections 89 and 90	expenses connected with patents, designs and trade marks
section 91	payments to Export Credits Guarantee Department
<i>[^{F27}In Chapter 5A (deductions allowable at a fixed rate)—</i>	
section 94C	exclusion of provisions of Chapter 5A for firms with partner who is not an individual
sections 94D to 94G	expenditure on vehicles]
<i>In Chapter 6 (receipts)—</i>	
section 96	capital receipts
section 97	debts incurred and later released
section 104	distribution of assets of mutual concerns
section 105(1) and (2)(b) and (c)	industrial development grants
section 106	sums recovered under insurance policies etc
<i>In Chapter 6A (amounts not reflecting commercial transactions)—</i>	
section 106C	amounts not reflecting commercial transactions
section 106D	capital receipts
section 106E	gifts to charities etc
<i>In Chapter 7 (gifts to charities etc)—</i>	
section 109	receipt by donor or connected person of benefit attributable to certain gifts”

(2) In those provisions, the expression “this Part” is to be read as a reference to those provisions as applied by subsection (1) and to the other provisions of Part 3.

(3) In section 106D, the reference to subsection (4) or (5) of section 96A is to be read as a reference to subsection (2), (3) or (5) of section 307F (deemed capital receipts under, or after leaving, cash basis).]

Textual Amendments

F25 S. 272ZA 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. 17](#)

F26 Words in s. 272ZA(1) substituted (1.1.2023 for specified purposes) by [Finance Act 2021 \(c. 26\)](#), s. 118(2), [Sch. 27 para. 33](#); S.I. 2022/1278, reg. 2(3)(4)(b)

F27 Words in s. 272ZA(1) Table inserted (with effect in accordance with s. 36(8) of the amending Act) by [Finance Act 2018 \(c. 3\)](#), s. 36(5)

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[^{F28}Calculation of profits: other general rules]

Textual Amendments

- F28** S. 272A 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. 18**

272A Restricting deductions for finance costs related to residential property

- (1) Where a deduction is allowed for costs of a dwelling-related loan in calculating the profits of a property business for the tax year 2017-18, the amount allowed to be deducted in respect of those costs in calculating those profits for income tax purposes is 75% of what would be allowed apart from this section.
- (2) Where a deduction is allowed for costs of a dwelling-related loan in calculating the profits of a property business for the tax year 2018-19, the amount allowed to be deducted in respect of those costs in calculating those profits for income tax purposes is 50% of what would be allowed apart from this section.
- (3) Where a deduction is allowed for costs of a dwelling-related loan in calculating the profits of a property business for the tax year 2019-20, the amount allowed to be deducted in respect of those costs in calculating those profits for income tax purposes is 25% of what would be allowed apart from this section.
- (4) In calculating the profits of a property business for income tax purposes for the tax year 2020-21 or any subsequent tax year, no deduction is allowed for costs of a dwelling-related loan.
- (5) Subsections (1) to (4) do not apply in relation to calculating the profits of a property business for the purposes of charging a company to income tax on so much of those profits as accrue to it otherwise than in a fiduciary or representative capacity.
- (6) For the meaning of “costs of a dwelling-related loan” see section 272B.

[^{F29}(7) See also section 307D (cash basis: modification of deduction for costs of loans).]

Textual Amendments

- F29** S. 272A(7) 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. 19**

Modifications etc. (not altering text)

- C1** S. 272A excluded (6.4.2017) by S.I. 2002/2006, reg. 11(2A) (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Tax Credits \(Definition and Calculation of Income\) \(Amendment\) Regulations 2017 \(S.I. 2017/396\)](#), regs. 1(1), 5)
- C2** S. 272A(1)-(4) excluded by [2007 c. 3](#), s. 504 (as modified by [S.I. 2013/2819](#), reg. 32(3) (as inserted (7.1.2016) by [S.I. 2015/2053](#), reg. 4))
- C3** S. 272A(1)-(4) excluded by [S.I. 2013/2819](#), reg. 12(3A) (as inserted (7.1.2016) by [The Unauthorised Unit Trusts \(Tax\) \(Amendment No. 2\) Regulations 2015 \(S.I. 2015/2053\)](#), regs. 1, 3)

[^{F30}272B Meaning of “costs of a dwelling-related loan”

- (1) Subsections (2) to (5) apply for the purposes of section 272A.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (2) “Dwelling-related loan”, in relation to a property business, means so much of an amount borrowed for purposes of the business as is referable (on a just and reasonable apportionment) to so much of the business as is carried on for the purpose of generating income from—
- (a) land consisting of a dwelling-house or part of a dwelling-house, or
 - (b) an estate, interest or right in or over land within paragraph (a),
- but see subsections (3) and (4).
- (3) Anything that in the course of a property business is done for creating (by construction or adaptation) a dwelling-house, or part of a dwelling-house, from which income is to be generated is, for the purposes of subsection (2), to be treated as done for the purpose mentioned in that subsection.
- (4) An amount borrowed for purposes of a property business is not a dwelling-related loan so far as the amount is referable (on a just and reasonable apportionment) to so much of the property business as consists of the commercial letting of furnished holiday accommodation.
- (5) “Costs”, in relation to a dwelling-related loan, means—
- (a) interest on the loan,
 - (b) an amount in connection with the loan that, for the person receiving or entitled to the amount, is a return in relation to the loan which is economically equivalent to interest, or
 - (c) incidental costs of obtaining finance by means of the loan.
- (6) Section 58(2) to (4) (meaning of “incidental costs of obtaining finance”) apply for the purposes of subsection (5)(c).
- (7) A reference in this section to a “dwelling-house” includes any land occupied or enjoyed with it as its garden or grounds.]

Textual Amendments

F30 Ss. 272A, 272B inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(2\)](#)

273 Amounts not brought into account as part of a property business

- (1) The rules for calculating the profits of a property business need to be read with the following provisions of Part 2 (trading income)—
- (a) section 19 (tied premises),
 - (b) section 20 (caravan sites where trade carried on),
 - (c) section 21 (surplus business accommodation), and
 - (d) section 22(3) (payments for wayleaves).
- (2) Those provisions secure that amounts which would otherwise be brought into account in calculating the profits of the business are, or may be, brought into account instead in calculating the profits of a trade.

274 Relationship between rules prohibiting and allowing deductions

- (1) Any relevant permissive rule in this Part—

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (a) has priority over any relevant prohibitive rule in this Part, but
- [^{F31}(b) is subject to—
- (i) section 36 (unpaid remuneration), as applied by section 272,
 - (ii) section 38 (employee benefit contributions), as applied by sections 272 and 272ZA,
 - (iii) section 48 (car hire), as applied by section 272,
 - (iv) section 55 (crime-related payments), as applied by sections 272 and 272ZA,
 - (v) section 272A (finance costs), and
 - (vi) section 307D (cash basis: modification of deduction for costs of loans).]

[^{F32}(1A) But, if the relevant permissive rule would allow a deduction in calculating the profits of a property business in respect of an amount which arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements, that rule—

 - (a) does not have priority under subsection (1)(a), and
 - (b) is subject to any relevant prohibitive rule in this Part (and to the provisions mentioned in subsection (1)(b)).]

(2) In this section “any relevant permissive rule in this Part” means any provision of this Part (apart from sections 291 to 294) which allows a deduction in calculating the profits of a property business.

(3) In this section “any relevant prohibitive rule in this Part”, in relation to any deduction, means any provision of this Part (apart from sections [^{F33}36, 38,] 48 and 55, as applied by section 272 [^{F34}, or sections 38 and 55 as applied by section 272ZA][^{F35}, and apart also from [^{F36}sections 272A and 307D]) which might otherwise be read as—

 - (a) prohibiting the deduction, or
 - (b) restricting the amount of the deduction.

[^{F37}(3A) In this section “relevant tax avoidance arrangements” means arrangements—

 - (a) to which the person carrying on the property business is a party, and
 - (b) the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage (within the meaning of section 1139 of CTA 2010).

“Arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).]

(4) In this section any reference to any provision of this Part includes any provision applied by section 272 [^{F38}or 272ZA].

Textual Amendments

- F31** S. 274(1)(b) substituted (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. 20(2)**
- F32** S. 274(1A) inserted (with effect in accordance with s. 78(5)-(7) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **s. 78(2)(a)**
- F33** Words in s. 274(3) inserted (with effect as stated in s. 67(7) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **s. 67(6)**
- F34** Words in s. 274(3) 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. 20(3)(a)**
- F35** Words in s. 274(3) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 24(4)**

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- F36** Words in s. 274(3) substituted (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. 20\(3\)\(b\)](#)
- F37** S. 274(3A) inserted (with effect in accordance with s. 78(5)-(7) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 78\(2\)\(b\)](#)
- F38** Words in s. 274(4) 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. 20\(4\)](#)

^{F39}Tax reductions for non-deductible costs of a dwelling-related loan

Textual Amendments

- F39** Ss. 274A-274C substituted for s. 274A (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 26\(1\)](#)

274A Reduction for individuals: entitlement

- (1) If for a tax year an individual has—
- (a) a relievable amount in respect of a property business, or
 - (b) two or more relievable amounts each in respect of a different property business,
- the individual is entitled to relief under this section for that year in respect of that relievable amount or (as the case may be) each of those relievable amounts.
- (2) An individual has a relievable amount for a tax year in respect of a property business if for that year the individual has any one or more of the following in respect of that business—
- (a) a current-year amount;
 - (b) a current-year estate amount;
 - (c) a brought-forward amount.
- (3) An individual's relievable amount for a tax year in respect of a property business is the total of—
- (a) the individual's current-year amount (if any) for that year in respect of that business,
 - (b) the individual's current-year estate amounts (if any) for that year in respect of that business, and
 - (c) the individual's brought-forward amount (if any) for that year in respect of that business.
- (4) An individual has a current-year amount for a tax year in respect of a property business if—
- (a) an amount (“A”) would be deductible in calculating the profits for income tax purposes of that business for that year but for section 272A,
 - (b) the individual is liable for income tax on N% of those profits, where N is a number—
 - (i) greater than 0, and
 - (ii) less than or equal to 100, and
 - (c) that liability is not under Chapter 6 of Part 5 (estate income),
- in which event the individual's current-year amount for that tax year in respect of that business is equal to N% of A.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (5) An individual has a current-year estate amount for a tax year (“the current year”), in respect of a property business and a particular deceased person's estate, if—
- (a) an amount (“A”) would, but for section 272A, be deductible in calculating the profits for income tax purposes of that business for a particular tax year (“the profits year”), whether that year is the current year or an earlier tax year,
 - (b) the personal representatives of the deceased person are liable for income tax on N% of those profits, where N is a number—
 - (i) greater than 0, and
 - (ii) less than or equal to 100,
 - (c) the individual is liable for income tax on estate income treated under Chapter 6 of Part 5 as arising in the current year from an interest in the estate, and
 - (d) the basic amount of that estate income consists of, or includes, an amount representative of E% of the personal representatives' N% of the profits of the business for the profits year, where E is a number—
 - (i) greater than 0, and
 - (ii) less than or equal to 100,
- in which event the individual's current-year estate amount for the current tax year, in respect of that business and estate and the profits year, is equal to E% of N% of A.
- (6) As to whether an individual has a brought-forward amount for a tax year in respect of a property business, see section 274AA(4).
- (7) In this section and section 274AA—
“estate income”, and
“basic amount” in relation to any estate income,
have the same meaning as in Chapter 6 of Part 5 (see sections 649 and 656(4)).

274AA Reduction for individuals: calculation

- (1) This section applies if for a tax year an individual is entitled to relief under section 274A in respect of a relievable amount or in respect of each of two or more relievable amounts, and in the following subsections of this section “relievable amount” means that relievable amount or (as the case may be) any of those relievable amounts.
- (2) In respect of a relievable amount, the actual amount on which relief for the year is to be given is (subject to subsection (3)) the amount (“L”) that is the lower of—
- (a) the relievable amount, and
 - (b) the total of—
 - (i) the profits for income tax purposes of the property business concerned for the year after any deduction under section 118 of ITA 2007 (“the adjusted profits”) or, if less, the share (if any) of the adjusted profits on which the individual is liable to income tax otherwise than under Chapter 6 of Part 5, and
 - (ii) so much (if any) of the relievable amount as consists of current-year estate amounts.
- (3) If S is greater than the individual's adjusted total income for the year (“ATI”), the actual amount on which relief for the year is to be given in respect of a relievable amount is given by—

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

$$ATI S \times L$$

where—

S is the total obtained by identifying the amount that is L for each relievable amount and then finding the total of the amounts identified, and

L has the same meaning as in subsection (2).

(4) Where—

(a) a relievable amount,

is greater than—

(b) the actual amount on which relief for the year is to be given in respect of the relievable amount,

the difference is the individual's brought-forward amount for the following tax year in respect of the property business concerned.

(5) The amount of the relief for the year in respect of a relievable amount is given by—

$$AA \times BR$$

where—

AA is the actual amount on which relief for the year is to be given in respect of the relievable amount, and

BR is the basic rate of income tax for the year,

(6) For the purposes of this section, an individual's adjusted total income for a tax year is identified as follows—

Step 1 Identify the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007).

Step 2 Exclude from that net income—

(a) so much of it as is within section 18(3) or (4) of ITA 2007 (income from savings), and

(b) so much of it as is dividend income.

Step 3 Reduce what is left after Step 2 of this calculation by the amount of any allowances deducted for the year in the individual's case at Step 3 of the calculation in section 23 of ITA 2007. The result is the individual's adjusted total income for the year.

274B Reduction for accumulated or discretionary trust income: entitlement

(1) If for a tax year the trustees of a settlement have—

(a) a relievable amount in respect of a property business, or

(b) two or more relievable amounts each in respect of a different property business,

the trustees of the settlement are entitled to relief under this section for that year in respect of that relievable amount or (as the case may be) each of those relievable amounts.

(2) The trustees of a settlement have a relievable amount for a tax year in respect of a property business if for that year the trustees of the settlement have a current-year amount, or brought-forward amount, in respect of that business (or have both).

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (3) In the case of trustees of a settlement, their relievable amount for a tax year in respect of a property business is the total of—
 - (a) their current-year amount (if any) for that year in respect of that business, and
 - (b) their brought-forward amount (if any) for that year in respect of that business.
- (4) The trustees of a settlement have a current-year amount for a tax year in respect of a property business if—
 - (a) an amount (“A”) would be deductible in calculating the profits for income tax purposes of that business for that year but for section 272A,
 - (b) the trustees of the settlement are liable for income tax on N% of those profits, where N is a number—
 - (i) greater than 0, and
 - (ii) less than or equal to 100, and
 - (c) in relation to the trustees of the settlement, that N% of those profits is accumulated or discretionary income,in which event the current-year amount of the trustees of the settlement for that tax year in respect of that business is equal to N% of A.
- (5) As to whether the trustees of a settlement have a brought-forward amount for a tax year in respect of a property business, see section 274C(3).
- (6) In this section and section 274C “accumulated or discretionary income” has the meaning given by section 480 of ITA 2007.

274C Reduction for accumulated or discretionary trust income: calculation

- (1) This section applies if for a tax year the trustees of a settlement are entitled to relief under section 274B in respect of a relievable amount or in respect of each of two or more relievable amounts, and in the following subsections of this section “relievable amount” means that relievable amount or (as the case may be) any of those relievable amounts.
- (2) The amount of the relief in respect of a relievable amount is given by—
$$L \times BR$$
where—

BR is the basic rate of income tax for the year, and

L is the lower of—

 - (a) the relievable amount, and
 - (b) the profits for income tax purposes of the property business concerned for the year after any deduction under section 118 of ITA 2007 (“the adjusted profits”) or, if less, the share of the adjusted profits—
 - (i) on which the trustees of the settlement are liable for income tax, and
 - (ii) which, in relation to the trustees of the settlement, is accumulated or discretionary income.
- (3) Where L in the case of a relievable amount is less than the relievable amount, the difference between them is the brought-forward amount of the trustees of the settlement for the following tax year in respect of the property business concerned.]

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Apportionment of profits

275 Apportionment etc. of profits to tax year

- (1) [^{F40}This section and sections 275A to 275C apply] if a period of account of a property business does not coincide with a tax year.
- (2) Any of the following steps may be taken if they are necessary in order to arrive at the profits or losses of the tax year—
- apportioning the profits or losses of a period of account to the parts of that period falling in different tax years, and
 - adding the profits or losses of a period of account (or part of a period) to profits or losses of other periods of account (or parts).
- (3) The steps must be taken by reference to the number of days in the periods concerned.
- (4) But the person carrying on the business may use a different way of measuring the length of the periods concerned if—
- it is reasonable to do so, and
 - the way of measuring the length of periods is used consistently for the purposes of the business.
- [^{F41}(5) Sections 275A and 275B contain rules for the purpose of avoiding the need to apportion profits or losses under this section (and section 275C makes provision for the person carrying on the business to elect for those rules not to apply).]

Textual Amendments

F40 Words in s. 275(1) substituted (for the tax year 2023-24 and subsequent tax years) by Finance Act 2022 (c. 3), s. 8(2)(a)(4)

F41 S. 275(5) inserted (for the tax year 2023-24 and subsequent tax years) by Finance Act 2022 (c. 3), s. 8(2)(b)(4)

[^{F42}275A Rule if person starts to carry on business after 31 March

- (1) This section applies if, in a tax year (“the relevant tax year”), the person carrying on the business—
- starts to carry it on after 31 March, and
 - does not permanently cease to carry it on.
- (2) For the purposes of this Part—
- the profits or losses of the business of the relevant tax year are treated as nil, and
 - the actual profits or losses of the business of the relevant tax year are treated as arising in the following tax year.

Textual Amendments

F42 Ss. 275A-275C inserted (for the tax year 2023-24 and subsequent tax years) by Finance Act 2022 (c. 3), s. 8(3)(4)

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

275B Rule if there is a late accounting date

- (1) This section applies if, in a tax year (“the relevant tax year”), the person carrying on the business—
 - (a) does not start to carry it on or starts to carry it on before 1 April,
 - (b) does not permanently cease to carry it on, and
 - (c) has an accounting date that is 31 March or 1, 2, 3 or 4 April.
- (2) For the purposes of this Part—
 - (a) the profits or losses of the business of the period beginning with the day after the accounting date and ending with 5 April in the relevant tax year are treated as nil, and
 - (b) the actual profits or losses of the business of that period are treated as arising in the following tax year.
- (3) In this section, “accounting date” in relation to a tax year means—
 - (a) the date in the tax year to which accounts are drawn up, or
 - (b) if there are two or more such dates, the latest of them.

Textual Amendments

F42 Ss. 275A-275C inserted (for the tax year 2023-24 and subsequent tax years) by [Finance Act 2022](#) (c. 3), s. 8(3)(4)

275C Election to disapply late accounting date rules

- (1) The person carrying on the business may make an election under this section.
- (2) If an election under this section has effect for a tax year, neither of sections [275A](#) and [275B](#) apply in relation to the business for that tax year.
- (3) An election under this section—
 - (a) must be made on or before the first anniversary of the normal self-assessment filing date for the first tax year for which it is to have effect, and
 - (b) has effect for that tax year and the four tax years following that tax year (subject to subsection (4)).
- (4) If the person permanently ceases to carry on the business before the end of the last of the tax years mentioned in subsection (3)(b), the election has effect for each tax year up to and including the tax year immediately before the tax year in which the person permanently ceases to carry on the business.]

Textual Amendments

F42 Ss. 275A-275C inserted (for the tax year 2023-24 and subsequent tax years) by [Finance Act 2022](#) (c. 3), s. 8(3)(4)

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

CHAPTER 4

PROFITS OF PROPERTY BUSINESSES: LEASE PREMIUMS ETC.

Introduction

276 Introduction

- (1) This Chapter provides for certain amounts (which would otherwise generally be amounts of a capital nature) to be brought into account as receipts in calculating the profits of a property business.
- (2) The amounts relate to short-term leases in the case of—
 - section 277 (lease premiums),
 - section 278 (amount treated as lease premium where work required),
 - section 280 (sums payable for surrender of lease), and
 - section 282 (assignments for profit of lease granted at undervalue).
- (3) The amounts relate to any lease in the case of—
 - section 279 (sums payable instead of rent), and
 - section 281 (sums payable for variation or waiver of [^{F43}terms] of lease).
- (4) The amounts relate to the sale of any estate or interest in land in the case of—
 - section 284 (sales with right to reconveyance), and
 - section 285 (sale and leaseback transactions).
- (5) This Chapter also permits certain deductions in calculating the profits of property businesses carried on by tenants under certain leases (see sections 291 and 292 [^{F44}; but see also section 276A]).
- (6) In this Chapter “short-term lease” means a lease whose effective duration is 50 years or less.

Textual Amendments

- F43** Word in s. 276(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. 614](#) (with [Sch. 2 Pts. 1, 2](#))
- F44** Words in s. 276(5) 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. 21](#)

[^{F45}276A] Application of Chapter to property businesses using cash basis

The following provisions of this Chapter do not apply in calculating the profits of a property business on the cash basis—

- (a) sections 291 to 294 (tenants under taxed leases: deductions), and
- (b) sections 296 and 298 (ICTA modifications).]

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

F45 S. 276A 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. 22**

Amounts treated as receipts: leases

277 Lease premiums

- (1) This section applies if a premium is required to be paid—
 - (a) under a short-term lease, or
 - (b) otherwise under the terms subject to which a short-term lease is granted.
- (2) The person to whom the premium is due is treated as—
 - (a) entering into a transaction mentioned in section 264 (if the land to which the lease relates is in the United Kingdom) or section 265 (if that land is outside the United Kingdom), and
 - (b) receiving the amount calculated under subsections (4) and (5) as a result of that transaction.
- (3) That amount is brought into account as a receipt in calculating the profits of the property business which consists of or includes that transaction for the tax year in which the lease is granted.
- (4) The amount of the receipt is given by the formula—

$$P \times \left(\frac{50 - Y}{50} \right)$$

where—

P is the premium, and

Y is the number of complete periods of 12 months (other than the first) comprised in the effective duration of the lease.

- (5) But, if the rule in section 288 (the additional calculation rule) applies, the amount given by the formula in subsection (4) is reduced by the amount calculated in accordance with section 288.

Modifications etc. (not altering text)

C4 Ss. 277-281 excluded (with effect as mentioned in Sch. 6 para. 6(2)-(7) of the amending Act) by 1981 c. 1, s. 774G(7) as inserted by Finance Act 2006 (c. 25), s. 76, **Sch. 6 para. 6(1)**

278 Amount treated as lease premium where work required

- (1) This section applies if the terms subject to which a lease is granted impose on the tenant an obligation to carry out work on the premises.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (2) The lease is treated for the purposes of section 277 (lease premiums) as requiring the payment of a premium to the landlord (in addition to any other premium).
- (3) The amount of the premium is the amount by which the value of the landlord's estate or interest immediately after the commencement of the lease exceeds what its value would have been at that time if the terms of the lease did not impose the obligation on the tenant.
- (4) An obligation, or part of an obligation, that requires the carrying out of excepted work is ignored for the purposes of this section.
- (5) Work is “excepted work” if the payment for carrying it out would, if the landlord and not the tenant were obliged to carry it out, be deductible as an expense in calculating the profits of the landlord's property business.

Modifications etc. (not altering text)

- C5** Ss. 277-281 excluded (with effect as mentioned in [Sch. 6 para. 6\(2\)-\(7\)](#) of the amending Act) by [1981 c. 1, s. 774G\(7\)](#) as inserted by [Finance Act 2006 \(c. 25\), s. 76, Sch. 6 para. 6\(1\)](#)

279 Sums payable instead of rent

- (1) This section applies if—
 - (a) under the terms subject to which a lease is granted a sum becomes payable by the tenant instead of the whole or a part of the rent for a period, and
 - (b) the period is 50 years or less.
- (2) The person to whom the sum is due is treated as—
 - (a) entering into a transaction mentioned in section 264 (if the land to which the lease relates is in the United Kingdom) or section 265 (if that land is outside the United Kingdom), and
 - (b) receiving the amount calculated under subsections (4) and (5) as a result of that transaction.
- (3) That amount is brought into account as a receipt in calculating the profits of the property business which consists [^{F46}of or] includes that transaction for the tax year in which the sum becomes payable.
- (4) The amount of the receipt is given by the formula—

$$S \times \left(\frac{50 - Y}{50} \right)$$

where—

S is the sum payable instead of rent, and

Y is the number of complete periods of 12 months (other than the first) comprised in the period in relation to which the sum is payable.

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (5) But, if the rule in section 288 (the additional calculation rule) applies, the amount given by the formula in subsection (4) is reduced by the amount calculated in accordance with section 288.
- (6) In determining for the purposes of this Chapter the duration of the period in relation to which the sum is payable, any part of the period that falls after the expiry of the effective duration of the lease is excluded.

Textual Amendments

F46 Words in s. 279(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. 615** (with Sch. 2 Pts. 1, 2)

Modifications etc. (not altering text)

C6 Ss. 277-281 excluded (with effect as mentioned in Sch. 6 para. 6(2)-(7) of the amending Act) by 1981 c. 1, s. 774G(7) as inserted by Finance Act 2006 (c. 25), s. 76, **Sch. 6 para. 6(1)**

280 Sums payable for surrender of lease

- (1) This section applies if, under the terms subject to which a short-term lease is granted, a sum becomes payable by the tenant as consideration for the surrender of the lease.
- (2) The person to whom the sum is due is treated as—
 - (a) entering into a transaction mentioned in section 264 (if the land to which the lease relates is in the United Kingdom) or section 265 (if that land is outside the United Kingdom), and
 - (b) receiving the amount calculated under subsections (4) and (5) as a result of that transaction.
- (3) That amount is brought into account as a receipt in calculating the profits of the property business which consists of or includes that transaction for the tax year in which the sum becomes payable.
- (4) The amount of the receipt is given by the formula—

$$S \times \left(\frac{50 - Y}{50} \right)$$

where—

S is the sum payable as consideration for the surrender of the lease, and

Y is the number of complete periods of 12 months (other than the first) comprised in the effective duration of the lease.

- (5) But, if the rule in section 288 (the additional calculation rule) applies, the amount given by the formula in subsection (4) is reduced by the amount calculated in accordance with section 288.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Modifications etc. (not altering text)

C7 Ss. 277-281 excluded (with effect as mentioned in [Sch. 6 para. 6\(2\)-\(7\)](#) of the amending Act) by [1981 c. 1, s. 774G\(7\)](#) as inserted by [Finance Act 2006 \(c. 25\), s. 76, Sch. 6 para. 6\(1\)](#)

281 Sums payable for variation or waiver of [^{F47}terms] of lease

- (1) This section applies if—
- (a) a sum becomes payable by the tenant (otherwise than by way of rent) as consideration for the variation or waiver of a term of a lease,
 - (b) the sum is due to the landlord or a person who is connected with the landlord, and
 - (c) the period for which the variation or waiver has effect is 50 years or less.
- (2) The person to whom the sum is due is treated as—
- (a) entering into a transaction mentioned in section 264 (if the land to which the lease relates is in the United Kingdom) or section 265 (if that land is outside the United Kingdom), and
 - (b) receiving the amount calculated under subsections (4) and (5) as a result of that transaction.
- (3) That amount is brought into account as a receipt in calculating the profits of the property business which consists of or includes that transaction for the tax year in which the contract providing for the variation or waiver is entered into.
- (4) The amount of the receipt is given by the formula—

$$S \times \left(\frac{50 - Y}{50} \right)$$

where—

S is the sum payable as consideration for the variation or waiver, and

Y is the number of complete periods of 12 months (other than the first) comprised in the period for which the variation or waiver has effect.

- (5) But, if the rule in section 288 (the additional calculation rule) applies, the amount given by the formula in subsection (4) is reduced by the amount calculated in accordance with section 288.
- (6) In determining for the purposes of this Chapter the duration of the period for which the variation or waiver has effect, any part of the period that falls after the expiry of the effective duration of the lease is excluded.

Textual Amendments

F47 Word in s. 281 title substituted (1.4.2009) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 616](#) (with [Sch. 2 Pts. 1, 2](#))

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Modifications etc. (not altering text)

- C8** Ss. 277-281 excluded (with effect as mentioned in [Sch. 6 para. 6\(2\)-\(7\)](#) of the amending Act) by 1981 c. 1, s. 774G(7) as inserted by [Finance Act 2006 \(c. 25\)](#), s. 76, [Sch. 6 para. 6\(1\)](#)

[^{F48}**281A** Sums to which sections 277 to 281 do not apply

- (1) This section applies if a grant of a lease constitutes a disposal of an asset for the purposes of section 809BZA(2)(b) or 809BZF(2)(a) of ITA 2007 (disposals under finance arrangements).
- (2) Sections 277 to 281 do not apply in relation to a premium paid in respect of the grant.]

Textual Amendments

- F48** S. 281A inserted (1.4.2010) (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 270](#) (with [Sch. 9 paras. 1-9, 22](#))

282 Assignments for profit of lease granted at undervalue

- (1) This section applies to an assignment of a short-term lease if—
 - (a) the lease was granted at an undervalue, and
 - (b) a profit is made on the assignment.
- (2) The person who assigns the lease is treated as—
 - (a) entering into a transaction mentioned in section 264 (if the land to which the lease relates is in the United Kingdom) or section 265 (if that land is outside the United Kingdom), and
 - (b) receiving the amount calculated under subsections (4) and (5) as a result of that transaction.
- (3) That amount is brought into account as a receipt in calculating the profits of the property business which consists of or includes that transaction for the tax year in which the consideration for the assignment becomes payable.
- (4) The amount of the receipt is given by the formula—

$$P \times \left(\frac{50 - Y}{50} \right)$$

where—

P is the lesser of—

- (a) the profit on the assignment, and
- (b) the amount by which the undervalue exceeds the total of the profits (if any) made on previous assignments of the lease, and

Y is the number of complete periods of 12 months (other than the first) comprised in the effective duration of the lease.

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (5) But, if the rule in section 288 (the additional calculation rule) applies, the amount given by the formula in subsection (4) is reduced by the amount calculated in accordance with section 288.
- (6) Section 283 explains references in this section to the grant of a lease at an undervalue and the making of a profit on an assignment of a lease.

283 Provisions supplementary to section 282

- (1) This section operates for the purposes of section 282.
- (2) A lease is granted at an undervalue if the terms subject to which it was granted are such that the landlord who granted it could have required the payment of an additional sum by way of premium, or additional premium, for its grant.
- (3) The additional sum is the undervalue.
- (4) The test in subsection (2) must be applied—
 - (a) having regard to values prevailing at the time the lease was granted, and
 - (b) on the assumption that the negotiations for the lease were at arm's length.
- (5) A profit is made on an assignment of a lease if the consideration for the assignment exceeds—
 - (a) if the lease has not previously been assigned, any premium for which it was granted, or
 - (b) in any other case, any consideration for which it was last assigned.
- (6) The amount of the excess is the profit.

Other amounts treated as receipts

284 Sales with right to reconveyance

- (1) This section applies if—
 - (a) an estate or interest in land is sold subject to terms which provide that it is to be, or may be required to be, reconveyed on a future date to the seller or a person connected with the seller,
 - (b) the period beginning with the sale and ending with the earliest date on which under the terms of the sale the estate or interest would fall to be reconveyed is 50 years or less, and
 - (c) the price at which the estate or interest is sold exceeds the price at which it is to be reconveyed.
- (2) The seller is treated as—
 - (a) entering into a transaction mentioned in section 264 (if the land is in the United Kingdom) or section 265 (if the land is outside the United Kingdom), and
 - (b) receiving the amount calculated under subsection (4) as a result of that transaction.
- (3) That amount is brought into account as a receipt in calculating the profits of the property business which consists of or includes that transaction for the tax year in which the estate or interest is sold.

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

(4) The amount of the receipt is given by the formula—

$$E \times \left(\frac{50 - Y}{50} \right)$$

where—

E is the amount by which the price at which the estate or interest is sold exceeds the price at which it is to be reconveyed, and

Y is the number of complete periods of 12 months (other than the first) comprised in the period beginning with the sale and ending with the earliest date on which under the terms of the sale the estate or interest would fall to be reconveyed.

(5) See section 286 for some provisions which are supplementary to this section.

285 Sale and leaseback transactions

(1) This section applies if—

- (a) an estate or interest in land is sold subject to terms which provide for the grant of a lease directly or indirectly out of the estate or interest to the seller or a person connected with the seller,
- (b) the period beginning with the sale and ending with the earliest date on which under the terms of the sale the lease would fall to be granted is 50 years or less, and
- (c) the price at which the estate or interest is sold exceeds the total of—
 - (i) the amount of any premium for the lease, and
 - (ii) the value on the date of the sale of the right to receive a conveyance of the reversion immediately after the lease begins to run.

(2) This section does not apply if the lease is granted and begins to run within one month after the sale.

(3) The seller is treated as—

- (a) entering into a transaction mentioned in section 264 (if the land is in the United Kingdom) or section 265 (if the land is outside the United Kingdom), and
- (b) receiving the amount calculated under subsection (5) as a result of that transaction.

(4) That amount is brought into account as a receipt in calculating the profits of the property business which consists of or includes that transaction for the tax year in which the estate or interest is sold.

(5) The amount of the receipt is given by the formula—

$$E \times \left(\frac{50 - Y}{50} \right)$$

where—

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E is the amount by which the price at which the estate or interest is sold exceeds the total of—

- (a) the amount of any premium for the lease, and
- (b) the value on the date of the sale of the right to receive a conveyance of the reversion immediately after the lease begins to run, and

Y is the number of complete periods of 12 months (other than the first) comprised in the period beginning with the sale and ending with the earliest date on which under the terms of the sale the lease would fall to be granted.

- (6) See section 286 for some provisions which are supplementary to this section.

286 Provisions supplementary to sections 284 and 285

- (1) This section operates for the purposes of sections 284 (sales with right to reconveyance) and 285 (sale and leaseback transactions).
- (2) Subsection (3) explains how to determine for the purposes of section 284 the price at which an estate or interest is to be reconveyed when—
 - (a) the date on which the estate or interest would fall to be reconveyed is not fixed under the terms of the sale, and
 - (b) the price at which it is to be reconveyed varies with the date.
- (3) The price is taken to be the lowest possible under the terms of the sale.
- (4) Subsection (5) explains how to determine for the purposes of section 285 the total of—
 - (a) the amount of any premium for the lease, and
 - (b) the value on the date of the sale of the right to receive a conveyance of the reversion immediately after the lease begins to run,
 when the date for the grant of the lease is not fixed under the terms of the sale and the total varies with the date.
- (5) The total is taken to be the lowest possible under the terms of the sale.
- (6) For the purposes of sections 284(3) and 285(4) (receipts of property business for tax year in which estate or interest sold) an estate or interest in land is sold when any of the following occurs—
 - (a) an unconditional contract for its sale is entered into,
 - (b) a conditional contract for its sale becomes unconditional, or
 - (c) an option or right of pre-emption is exercised requiring the seller to enter into an unconditional contract for its sale.

Additional calculation rule for reducing certain receipts

287 Circumstances in which additional calculation rule applies

- (1) The rule in section 288 (the additional calculation rule) applies in relation to the calculation of receipts under—
 - section 277 (lease premiums),
 - section 279 (sums payable instead of rent),
 - section 280 (sums payable for surrender of lease),

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section 281 (sums payable for variation or waiver of ^{F49}terms] of lease), or section 282 (assignments for profit of lease granted at undervalue).

- (2) It applies if conditions A and B are met.
- (3) Condition A is that—
 - (a) in the case of a receipt under section 277, 279 or 280, the lease is granted out of a taxed lease,
 - (b) in the case of a receipt under section 281, the lease was granted out of a taxed lease, and
 - (c) in the case of a receipt under section 282, the assignment is of a taxed lease.
- (4) A lease is a “taxed lease” for the purposes of this Chapter if—
 - (a) there is a receipt under any of sections 277 to 282 in respect of the lease, ^{F50}...
 - (b) there would be such a receipt, but for the operation of the ^{F51}rule in section 288 (the additional calculation rule)] in the calculation of its amount.
 - ^{F52}(c) there is a receipt under any of sections 217 to 222 of CTA 2009 (receipts in respect of lease premiums, sums payable instead of rent, for surrender of lease and for variation or waiver of terms of lease and assignments) in respect of the lease, or
 - (d) there would be such a receipt, but for the operation of the rule in section 228 of that Act (the additional calculation rule) in the calculation of its amount.]

In this Chapter ^{F53}a receipt falling within paragraph (a), (b), (c) or (d)] is referred to as a “taxed receipt”.
- (5) Condition B is that the taxed receipt, or if there is more than one, at least one of them, has an unused amount.
- (6) See section 290 for an explanation of when a taxed receipt has an “unused amount”.

Textual Amendments

- F49** Word in s. 287(1) 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. 617(2)** (with Sch. 2 Pts. 1, 2)
- F50** Word in s. 287(4) repealed (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. 617(3)(a)**, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F51** Words in s. 287(4)(b) 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. 617(3)(b)** (with Sch. 2 Pts. 1, 2)
- F52** S. 287(4)(c)(d) inserted (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. 617(3)(c)** (with Sch. 2 Pts. 1, 2)
- F53** Words in s. 287(4) 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. 617(3)(d)** (with Sch. 2 Pts. 1, 2)

288 The additional calculation rule

- (1) The rule in this section applies if the conditions mentioned in section 287 are met.
- (2) The additional calculation rule is that the amount given by the formula in section 277, 279, 280, 281 or 282 must be reduced by the amount calculated in accordance with this section in order to give the amount of the receipt under calculation.
- (3) The amount of the reduction is—

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- (a) if there is one taxed receipt which has an unused amount, the basic relieving amount by reference to that receipt, and
 - (b) if there is more than one taxed receipt which has an unused amount, the total of the basic relieving amounts by reference to each receipt,
- adjusted, if necessary, in the light of section 289(5) (reduction not to exceed amount being reduced).
- (4) The basic relieving amount by reference to a taxed receipt is given by the formula—

$$\frac{A \times \text{LRP}}{\text{TRP}}$$

where—

A is the unreduced amount of the taxed receipt (which is, generally, the amount given by the formula in section 277, 279, 280, 281 or [^{F54}282 above, or in section 217, 219, 220, 221 or 222 of CTA 2009,] but see section 290(2) to (4) [^{F55}above]),

LRP is the receipt period of the receipt under calculation, and

TRP is the receipt period of the taxed receipt.

- (5) But the basic relieving amount is different if section 289(2) or (4) applies (certain special cases).
- (6) For the purposes of this Chapter, the “receipt period” of a receipt is—
 - (a) in the case of a receipt under section 277 or 280, the effective duration of the lease,
 - (b) in the case of a receipt under section 279, the period in relation to which the sum payable instead of rent is payable,
 - (c) in the case of a receipt under section 281, the period for which the variation or waiver has effect, ^{F56} ...
 - (d) in the case of a receipt under section 282, the effective duration of the lease remaining at the date of the assignment^{F57}, and
 - (e) in the case of a receipt under Chapter 4 of Part 4 of CTA 2009 (profits of property businesses: lease premiums etc), its receipt period within the meaning of that Chapter (see section 228(6) of that Act).]

Textual Amendments

- F54** Words in s. 288(4) 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. 618(2)(a)** (with Sch. 2 Pts. 1, 2)
- F55** Word in s. 288(4) inserted (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. 618(2)(b)** (with Sch. 2 Pts. 1, 2)
- F56** Word in s. 288(6) repealed (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. 618(3)(a), Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F57** S. 288(6)(e) and word inserted (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. 618(3)(b)** (with Sch. 2 Pts. 1, 2)

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289 The additional calculation rule: special cases

- (1) This section explains how section 288 operates in some special cases.
- (2) If—
 - (a) the receipt under calculation is under any of sections 277 to 281, and
 - (b) the lease does not extend to the whole of the premises subject to the taxed lease,the basic relieving amount by reference to a taxed receipt is calculated by multiplying the amount given by the formula in subsection (4) of section 288 by the fraction of those premises which is subject to the lease.
- (3) This fraction is calculated on a just and reasonable basis.
- (4) If the basic relieving amount given by section 288(4) or subsection (2) above by reference to a taxed receipt would otherwise exceed the unused amount of the taxed receipt, the basic relieving amount is the unused amount.
- (5) If the amount of the reduction under section 288 would otherwise exceed the amount given, in respect of the receipt under calculation, by the formula in section 277, 279, 280, 281 or 282, the amount of the reduction is equal to the amount given by the formula.

290 Meaning of “unused amount” and “unreduced amount”

- (1) For the purposes of this Chapter, a taxed receipt has an “unused amount” if the unreduced amount exceeds the total of the reductions and deductions referred to in subsection (5).
- (2) In this Chapter the “unreduced amount” of a taxed receipt is the amount given, in respect of the taxed receipt, by the ^{F58}formula in—
 - (a) section 277, 279, 280, 281 or 282 above, or
 - (b) section 217, 219, 220, 221 or 222 of CTA 2009 (corporation tax provisions corresponding to those listed in paragraph (a)).]
- ^{F59}(3) Subsection (4) applies—
 - (a) to a taxed receipt under section 277 (lease premiums) as a result of section 278 (amount treated as lease premium where work required), and
 - (b) to a taxed receipt under section 217 of CTA 2009 (lease premiums) as a result of section 218 of that Act (amount treated as lease premium where work required).]
- (4) If the obligation to carry out work included the carrying out of work which gives, or will give, rise to qualifying expenditure under CAA 2001, the unreduced amount of the taxed receipt is calculated as if the obligation had not included the carrying out of that work.
- (5) The reductions and deductions mentioned in subsection (1) are—
 - (a) the reductions under section 288 ^{F60}above or section 228 of CTA 2009 (the additional calculation rule)] by reference to the taxed receipt,
 - (b) the deductions allowed in calculating the profits of a trade, profession or vocation for expenses under section 61 ^{F61}above or section 63 of CTA 2009] (tenant under taxed lease who uses land in connection with trade treated as incurring expenses) by reference to the taxed receipt, and

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- (c) the deductions allowed in calculating the profits of a property business for expenses under section 292 [^{F62}below or section 232 of CTA 2009] (tenant under taxed lease who uses premises for purposes of property business treated as incurring expenses) by reference to the taxed receipt.
- (6) For the purposes of this Chapter references to a reduction under section 288 [^{F63}above or section 228 of CTA 2009] by reference to a taxed receipt are to a reduction under [^{F64}the section concerned] so far as attributable to the taxed receipt.

Textual Amendments

- F58** Words in s. 290(2) 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. 619\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F59** S. 290(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. 619\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F60** Words in s. 290(5)(a) inserted (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. 619\(4\)\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F61** Words in s. 290(5)(b) inserted (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. 619\(4\)\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F62** Words in s. 290(5)(c) inserted (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. 619\(4\)\(c\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F63** Words in s. 290(6) inserted (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. 619\(5\)\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F64** Words in s. 290(6) 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. 619\(5\)\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))

Deductions in relation to certain receipts

291 Deductions for expenses under section 292

- (1) Section 292 (tenants under taxed leases treated as incurring expenses) applies in calculating the profits of a property business carried on by the tenant under a taxed lease for the purpose of making deductions for the expenses of the property business.
- (2) A deduction is allowed for an expense under section 292 for a qualifying day on which the whole or part of the premises subject to the taxed lease is—
- (a) occupied by the tenant for the purpose of carrying on the property business, or
 - (b) sublet.
- (3) But any deduction for an expense under section 292 is subject to the application of any provision of Chapter 4 of Part 2 (as applied to property businesses by section 272).
- (4) The amount of the deduction for an expense under section 292 for a qualifying day by reference to a taxed receipt may be reduced in order to comply with section 295 (limit on reductions and deductions).
- (5) For the meaning of expressions used in this section, see in particular—
- section 287(4) (“taxed lease”), and
 - section 287(4) (“taxed receipt”).

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292 Tenants under taxed leases treated as incurring expenses

- (1) The tenant under a taxed lease is treated as incurring an expense of a revenue nature in respect of the premises subject to the taxed lease for each qualifying day.
- (2) If there is more than one taxed receipt, this section applies separately in relation to each of them.
- (3) A day is a “qualifying day”, in relation to a taxed receipt, if it falls within the receipt period of the taxed receipt.
- (4) The amount of the expense for the qualifying day by reference to the taxed receipt is given by the formula—

$$\frac{A}{\text{TRP}}$$

where—

A is the unreduced amount of the taxed receipt, and

TRP is the number of days in the receipt period of the taxed receipt.

- [^{F65}(4A) No expense is to be determined under this section by reference to the taxed receipt if subsection (4B) or (4C) applies.
- (4B) This subsection applies if there would have been no taxed receipt but for the application of Rule 1 in section 303 in determining the effective duration of the lease.
 - (4C) This subsection applies if there would have been no taxed receipt but for the application of Rule 1 in section 243 of CTA 2009 in determining the effective duration of the lease for the purposes of Chapter 4 of Part 4 of that Act.]
 - (5) This section is subject to sections 293 and 294 (restrictions on expenses where the additional calculation rule is relevant).
 - (6) For the meaning of expressions used in this section, see in particular—
 - section 288(6) (“receipt period”), and
 - section 290(2) to (4) (“unreduced amount”).

Textual Amendments

F65 S. 292(4A)-(4C) inserted (with effect in accordance with Sch. 28 para. 4 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 28 para. 3**

293 Restrictions on section 292 expenses: the additional calculation rule

- [^{F66}(1) This section applies if—
- (a) in calculating the amount of a receipt under this Chapter there is a reduction under section 288 (the additional calculation rule) by reference to a taxed receipt, or
 - (b) in calculating the amount of a receipt under Chapter 4 of Part 4 of CTA 2009 (profits of a property business: lease premiums etc) there is a reduction under

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section 228 of that Act (the additional calculation rule) by reference to a taxed receipt.

The receipt that is so reduced is referred to in this section as the “lease premium receipt”.]

- (2) Subsections (3) to (5) provide for the application of section 292 for a qualifying day that falls within the receipt period of the lease premium receipt.
- (3) The tenant under the taxed lease is treated as incurring an expense under section 292 for the qualifying day by reference to the taxed receipt only if the daily amount of the taxed receipt exceeds the daily reduction of the lease premium receipt.
- (4) If the condition in subsection (3) is met, the amount of the expense under section 292 for the qualifying day by reference to the taxed receipt is equal to that excess.
- (5) If the qualifying day falls within the receipt periods of more than one lease premium receipt, the reference in subsection (3) to the daily reduction of the lease premium receipt is to be read as a reference to the total of the daily reductions of each of the lease premium receipts whose receipt period includes the qualifying day.
- (6) In this section—
the “daily amount” of the taxed receipt is given by the formula—

$$\frac{A}{\text{TRP}}$$

where—

A is the unreduced amount of the taxed receipt (see section 290(2) to (4)), and

TRP is the number of days in the receipt period of the taxed receipt, and
the “daily reduction” of a lease premium receipt is given by the formula—

$$\frac{\text{AR}}{\text{RRP}}$$

where—

AR is the reduction under section 288 [^{F67}above or section 228 of CTA 2009] by reference to the taxed receipt (see section 290(6)), and

RRP is the number of days in the receipt period of the lease premium receipt.

- (7) Section 294 explains how this section operates if the lease premium receipt is in respect of a lease that has been granted out of the taxed lease and does not extend to the whole of the premises subject to the taxed lease.

Textual Amendments

- F66** S. 293(1) 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. 620\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))

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F67 Words in s. 293(6) inserted (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. 620(3)** (with Sch. 2 Pts. 1, 2)

294 Restrictions on section 292 expenses: lease of part of premises

- (1) This section applies if—
- (a) a lease has been granted out of the taxed lease,
 - (b) the lease does not extend to the whole of the premises subject to the taxed lease, and
 - ^{F68}(c) the condition in subsection (1A) is met.

(1A) The condition is that—

- (a) in calculating the amount of a receipt under any of sections 277 to 281 (receipts in respect of lease premiums or sums payable instead of rent, for surrender of lease or for variation or waiver of terms of lease) in respect of the lease, there is a reduction under section 288 by reference to a taxed receipt, or
- (b) in calculating the amount of a receipt under any of sections 217 to 221 of CTA 2009 (receipts in respect of lease premiums or sums payable instead of rent, for surrender of lease or for variation or waiver of terms of lease) in respect of the lease, there is a reduction under section 228 of that Act (the additional calculation rule) by reference to a taxed receipt.

The receipt that is so reduced is referred to in this section as the “lease premium receipt”.]

- (2) Subsections (3) to (5) apply for a qualifying day that falls within the receipt period of the lease premium receipt.
- (3) Sections 292 and 293 apply separately in relation to the part of the premises subject to the lease and to the remainder of the premises.
- (4) If—
 - (a) more than one lease that does not extend to the whole of the premises subject to the taxed lease has been granted out of the taxed lease, and
 - (b) the qualifying day falls within the receipt period of two or more lease premium receipts that relate to different leases,sections 292 and 293 apply separately in relation to each part of the premises subject to a lease to which such a receipt relates and to the remainder of the premises.
- (5) Where sections 292 and 293 apply in relation to a part of the premises, A becomes the amount calculated by multiplying the unreduced amount of the taxed receipt by the fraction of the premises constituted by the part.
- (6) This fraction is calculated on a just and reasonable basis.

Textual Amendments

F68 S. 294(1)(c)(1A) substituted for s. 294(1)(c) (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. 621** (with Sch. 2 Pts. 1, 2)

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Limit on effect of additional calculation rule and deductions

295 Limit on reductions and deductions

- (1) The total of—
- (a) the reductions under section 288 by reference to a taxed receipt, and
 - (b) the deductions allowed in calculating the profits of a property business for expenses under section 292 (tenant under taxed lease who uses premises for purposes of property business treated as incurring expenses) by reference to the taxed receipt,
- must not exceed the amount referred to in subsection (2).
- (2) The amount mentioned in subsection (1) is the difference between—
- (a) the unreduced amount of the taxed receipt, and
 - [^{F69}(b) the total of the amounts mentioned in subsection (3).
- (3) Those amounts are—
- (a) the reductions under section 228 of CTA 2009 (the additional calculation rule) by reference to the taxed receipt,
 - (b) the deductions allowed in calculating the profits of a property business for expenses under section 232 of CTA 2009 (tenant under taxed lease which uses premises for purposes of property business treated as incurring expenses) by reference to the taxed receipt, and
 - (c) the deductions allowed in calculating the profits of a trade, profession or vocation for expenses under section 61 above or section 63 of CTA 2009 (tenant under taxed lease who uses land in connection with trade treated as incurring expenses) by reference to the taxed receipt.]

Textual Amendments

F69 S. 295(2)(b)(3) substituted for s. 295(2)(b) (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. 622](#) (with [Sch. 2 Pts. 1, 2](#))

Relationship with ICTA

296 Corporation tax receipts treated as taxed receipts

- (1) This section applies if in respect of a lease—
- (a) there is a receipt of a Schedule A business or an overseas property business (within the meaning of section 70A(4) of ICTA) as a result of section 34 or 35 of ICTA (treatment of premiums etc. as rent and assignments for profit of lease granted at an undervalue) for an accounting period ending after 5th April 2005 [^{F70}but before 1st April 2009], or
 - (b) there would be such a receipt, but for the operation of section 37(2) or (3) of ICTA (reductions in certain receipts under section 34 or 35 of ICTA).

In this Chapter such a receipt is referred to as a “corporation tax receipt”.

- (2) For the purposes of this Chapter—
- (a) the lease is treated as a taxed lease, and

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- (b) the corporation tax receipt is treated as a taxed receipt.
- (3) For the purposes of this Chapter, the “receipt period” of a taxed receipt which is a corporation tax receipt is—
 - (a) in the case of a corporation tax receipt as a result of section 34 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease, and
 - (b) in the case of a corporation tax receipt as a result of section 35 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease remaining at the date of the assignment.
- (4) For the purposes of this Chapter the “unreduced amount” of a taxed receipt which is a corporation tax receipt is the amount of the corporation tax receipt as a result of section 34 or 35 of ICTA, before the operation of section 37(2) or (3) of ICTA.
- (5) Subsection (6) applies to a taxed receipt which is a corporation tax receipt arising as a result of section 34(2) of ICTA (obligation on tenant to carry out work under lease).
- (6) If the obligation to carry out work includes the carrying out of work which gives, or will give, rise to qualifying expenditure under CAA 2001, the unreduced amount of the taxed receipt is calculated as if the obligation had not included the carrying out of that work.

Textual Amendments

F70 Words in s. 296(1)(a) inserted (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. 623](#) (with [Sch. 2 Pts. 1, 2](#))

297 Taking account of reductions in corporation tax receipts

- (1) This section applies if—
 - (a) in calculating the amount of a corporation tax receipt, there is a reduction under section 37(2) or (3) of ICTA by reference to the amount chargeable on the superior interest for the purposes of that section, and
 - (b) the amount chargeable on the superior interest is the taxed receipt for the purposes of this Chapter.
- (2) For the purposes of this Chapter references to a reduction under section 37(2) or (3) of ICTA in a corporation tax receipt by reference to the amount chargeable on the superior interest are to the difference between—
 - (a) the amount of the corporation tax receipt before the operation of section 37(2) or (3) of ICTA, and
 - (b) the amount of the receipt after the operation of that subsection, so far as attributable to the amount chargeable on the superior interest for the purposes of section 37 of ICTA.
- (3) In sections 290(5)(a) (meaning of “unused amount”) and 295(1)(a) (limit on reductions and deductions) references to reductions under section 288 by reference to the taxed receipt include references to reductions under section 37(2) or (3) of ICTA in corporation tax receipts by reference to the amount chargeable on the superior interest.
- (4) Sections 292 to 294 apply as follows—

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- (a) the corporation tax receipt is treated as if it were a lease premium receipt for the purposes of sections 293 and 294,
- (b) references in those sections to the reduction under section 288 by reference to the taxed receipt are, in relation to the corporation tax receipt, to the reduction under section 37(2) or (3) of ICTA by reference to the amount chargeable on the superior interest, and
- (c) for the purposes of those sections the receipt period of the corporation tax receipt is—
 - (i) in the case of a corporation tax receipt as a result of section 34 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease, and
 - (ii) in the case of a corporation tax receipt as a result of section 35 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease remaining at the date of the assignment.

298 Taking account of deductions for rent as a result of section 37(4) or 87(2) of ICTA

- (1) Subsection (2) applies if—
 - (a) in calculating the profits of a trade, profession or vocation for an accounting period ending after 5th April 2005 [^{F71}but before 1st April 2009], a company is treated as paying rent under section 87(2) of ICTA by reference to the amount chargeable for the purposes of that section, and
 - (b) the amount chargeable is the taxed receipt for the purposes of this Chapter.
- (2) References in sections 290(5)(b) and [^{F72}295(3)(c)] to the deductions allowed for expenses under section 61 by reference to the taxed receipt include references to the deductions allowed in calculating the profits of the trade, profession or vocation for the rent that the company is treated as paying under section 87(2) of ICTA by reference to the amount chargeable.
- (3) Subsection (4) applies if—
 - (a) in calculating the profits of a Schedule A business or an overseas property business (within the meaning of section 70A(4) of ICTA) for an accounting period ending after 5th April 2005 [^{F73}but before 1st April 2009], a company is treated as paying rent as a result of section 37(4) of ICTA by reference to the amount chargeable on the superior interest for the purposes of that section, and
 - (b) the amount chargeable on the superior interest is the taxed receipt for the purposes of this Chapter.
- (4) References in sections 290(5)(c) and 295(1)(b) to the deductions allowed for expenses under section 292 by reference to the taxed receipt include references to the deductions allowed in calculating the profits of the Schedule A business or overseas property business (within the meaning of section 70A(4) of ICTA) for the rent that the company is treated as paying as a result of section 37(4) of ICTA by reference to the amount chargeable on the superior interest.

Textual Amendments

- F71** Words in s. 298(1)(a) inserted (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. 624(a)** (with Sch. 2 Pts. 1, 2)

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- F72** Word in s. 298(2) 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. 624\(b\)](#) (with Sch. 2 Pts. 1, 2)
- F73** Words in s. 298(3)(a) inserted (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. 624\(a\)](#) (with Sch. 2 Pts. 1, 2)

Certain administrative provisions

299 Payment of tax by instalments

- (1) This section applies if—
- (a) there is a receipt under section 277 (lease premiums) in respect of a premium which is payable by instalments, or
 - (b) there is a receipt under any of sections 279 to 281 (sums payable instead of rent, for surrender of lease or for variation or waiver of [^{F74}terms] of lease) in respect of a sum which is payable by instalments.
- (2) The person who is liable to pay tax by reference to the receipt may choose to pay the tax by such instalments as [^{F75}an officer of Revenue and Customs] may allow.
- (3) The period over which the instalments of tax must be paid—
- (a) must be 8 years or less, and
 - (b) must end before, or at the same time as, the time when the last of the instalments mentioned in subsection (1)(a) or (b) is payable.

Textual Amendments

- F74** Word in s. 299(1)(b) 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. 625](#) (with Sch. 2 Pts. 1, 2)
- F75** Words in s. 299(2) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 ss. 50, 53(1), {Sch. 4 para. 132(2)}; [S.I. 2005/1126, art. 2\(h\)](#)

300 Statement of accuracy for purposes of section 282

- (1) This section applies if any of the persons mentioned in subsection (3) provides [^{F76}an officer of Revenue and Customs] with a statement showing—
- (a) whether or not there is, or may be, a receipt under section 282 (assignments for profit of lease granted at undervalue), and
 - (b) the amount of any receipt.
- (2) [^{F76}an officer of Revenue and Customs] must certify the accuracy of the statement, if satisfied as to its accuracy.
- (3) The persons referred to in subsection (1) are—
- (a) the landlord who granted the lease,
 - (b) a person who assigned it, or
 - (c) a person to whom it was assigned.

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Textual Amendments

F76 Words in s. 300(1)(2) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 ss. 50, 53(1), {Sch. 4 para. 132(1)}; [S.I. 2005/1126, art. 2\(h\)](#)

301 Claim for repayment of tax payable by virtue of section 284

- (1) This section applies if—
 - (a) there is a receipt under section 284 (sales with right to reconveyance), and
 - (b) the date on which the estate or interest would fall to be reconveyed was not fixed under the terms of the sale.
- (2) If the seller makes a claim, the seller must be repaid the amount by which A exceeds B, where—

A is the amount of tax paid by the seller which was payable by virtue of section 284, and

B is the amount of tax that would have been so payable if the date on which the estate or interest was reconveyed had been taken as the date fixed by the terms of the sale.
- (3) The claim must be made within [^{F77}4 years] after the day on which the estate or interest was reconveyed.

Textual Amendments

F77 Words in s. 301(3) substituted (1.4.2010) by [Finance Act 2008 \(c. 9\), s. 118\(2\), Sch. 39 para. 51; S.I. 2009/403, art. 2\(2\)](#) (with [art. 10](#))

302 Claim for repayment of tax payable by virtue of section 285

- (1) This section applies if—
 - (a) there is a receipt under section 285 (sale and leaseback transactions), and
 - (b) the date for the grant of the lease was not fixed under the terms of the sale.
- (2) If the seller makes a claim, the seller must be repaid the amount by which A exceeds B, where—

A is the amount of tax paid by the seller which was payable by virtue of section 285, and

B is the amount of tax that would have been so payable if the date on which the lease was granted had been taken as the date fixed by the terms of the sale.
- (3) The claim must be made within [^{F78}4 years] after the day on which the lease was granted.

Textual Amendments

F78 Words in s. 302(3) substituted (1.4.2010) by [Finance Act 2008 \(c. 9\), s. 118\(2\), Sch. 39 para. 52; S.I. 2009/403, art. 2\(2\)](#) (with [art. 10](#))

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[^{F79}Determinations affecting liability of more than one person

Textual Amendments

F79 Ss. 302A-302C and cross-heading inserted (1.4.2010) (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 7 para. 22](#) (with [Sch. 9 paras. 1-9, 22](#))

302A Appeals against proposed determinations

- (1) Subsection (2) applies if it appears to an officer of Revenue and Customs that—
 - (a) a determination is needed of an amount that is to be brought into account as a receipt under this Chapter in calculating the liability to tax of a person (“the first taxpayer”), and
 - (b) the determination may affect the liability to income tax, corporation tax or capital gains tax of other persons.
- (2) The officer may give notice (a “provisional notice of determination”) to the first taxpayer and the other persons of—
 - (a) the determination the officer proposes to make, and
 - (b) their rights under this section and section 302C.
- (3) A person to whom a provisional notice of determination is given may object to the proposed determination by giving notice (a “notice of objection”) to the officer.
- (4) The notice of objection must be given within 30 days of the date on which the provisional notice of determination was given.
- (5) If an officer gives provisional notices of determination and no person gives a notice of objection—
 - (a) a determination must be made by the officer as proposed in the provisional notices, and
 - (b) the determination is not to be called in question in any proceedings.

302B Section 302A: supplementary

- (1) A provisional notice of determination under section 302A(2) may include a statement of the grounds on which the officer proposes to make the determination.
- (2) Subsection (1) applies despite any obligation as to secrecy or other restriction on the disclosure of information.

^{F80}(3)

^{F80}(4)

Textual Amendments

F80 S. 302B(3)(4) omitted (with effect in accordance with Sch. 23 para. 65 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 23 paras. 57\(2\), 65\(1\)\(a\)](#) (with [Sch. 23 paras. 50, 65\(1\)\(b\)](#))

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302C Determination by tribunal

- (1) If a notice of objection is given under section 302A(3), the amount mentioned in section 302A(1) must be determined in the same way as an appeal.
- (2) All persons to whom provisional notices of determination have been given under section 302A(2) may be a party to—
 - (a) any proceedings under subsection (1), and
 - (b) any appeal arising out of those proceedings.
- (3) Those persons are bound by the determination made in the proceedings or on appeal, whether or not they have taken part in the proceedings.
- (4) Their successors in title are bound in the same way.]

Effective duration of lease

303 Rules for determining effective duration of lease

- (1) The following rules apply for determining the effective duration of a lease for the purposes of this Chapter.

[^{F81}Rule 1: If-

- (a) the terms of the lease or any other circumstances make it unlikely that the lease will continue beyond a date before the end of the term for which the lease was granted, and
- (b) the premium was not substantially greater than it would have been had the term been one ending on that date,]

Rule 2: If the terms of the lease include provision for the extension of the lease beyond a given date by notice given by the tenant, account may be taken of any circumstances making it likely that the lease will be so extended.

Rule 3: If the tenant or a person connected with the tenant is, or may become, entitled to a further lease or the grant of a further lease (whenever commencing)—

- (a) of the same premises, or
- (b) of premises including the whole or part of the same premises,

the term of the lease may be treated as continuing until the end of the term of the further lease.

- (2) The rules are to be applied in accordance with section 304.

[^{F82}(2A) In Rule 1 “premium” includes—

- (a) an amount treated as a premium under section 278 (amount treated as lease premium where work required),
- (b) a sum payable by the tenant under the terms subject to which the lease is granted instead of the whole or a part of the rent for a period,
- (c) a sum payable by the tenant under the terms subject to which the lease is granted as consideration for the surrender of the lease, and
- (d) a sum payable by the tenant (otherwise than by way of rent) as consideration for the variation or waiver of a term of the lease.]

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- (3) In this section and section 304, in relation to Scotland, “term”, where referring to the duration of a lease, means period.

Textual Amendments

- F81** Words in s. 303 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. 626\(2\)](#) (with Pts. 1, 2, Sch. 2 para. 44)
- F82** S. 303(2A) inserted (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. 626\(3\)](#) (with Pts. 1, 2, Sch. 2 para. 44)

Modifications etc. (not altering text)

- C9** S. 303 applied by [2001 c. 2, s. 360I\(3\)\(a\)](#) (as inserted (7.4.2005 with effect in relation to expenditure incurred on or after 11.4.2007) by [Finance Act 2005 \(c. 7\), s. 92, {Sch. 6 para. 1}](#); [S.I. 2007/949, art. 2](#)

304 Applying the rules in section 303

- (1) The rules in section 303 apply by reference to the facts known or ascertainable—
- at the time of the grant of the lease, or
 - if the determination is for the purposes of section 281 (sums payable for variation or waiver of [^{F83}terms] of lease), at the time when the contract for the variation or waiver is entered into.
- (2) In applying those rules, it is assumed that all parties concerned, whatever their relationship, act as if they were at arm's length.
- (3) Subsection (5) applies if—
- special benefits were conferred by the lease or in connection with its grant, or
 - payments were made which one would not expect to be made by parties acting at arm's length unless such benefits had been conferred.
- (4) But subsection (5) does not apply if it can be shown that the special benefits were not conferred nor the payments made for the purpose of [^{F84}securing—
- an income tax advantage in the application of this Chapter, or
 - a corporation tax advantage in the application of Chapter 4 of Part 4 of CTA 2009 (profits of property business: lease premiums etc).]
- (5) In applying [^{F85}paragraph (b) of] rule 1 in section 303, it is assumed that the special benefits would not have been conferred nor the payments made if the lease had been granted for a term ending on the date mentioned in that rule.
- (6) In this section “special benefits” means benefits other than—
- vacant possession and beneficial occupation of the premises, or
 - the right to receive rent at a reasonable commercial rate in respect of the premises.

Textual Amendments

- F83** Word in s. 304(1)(b) 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. 627\(2\)](#) (with Sch. 2 Pts. 1, 2)
- F84** Words in s. 304(4) 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. 627\(3\)](#) (with Sch. 2 Pts. 1, 2)

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

F85 Words in s. 304(5) inserted (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. 627(4)** (with Sch. 2 Pts. 1, 2)

F86 305 Information about effective duration of lease

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Textual Amendments

F86 S. 305 omitted (13.8.2009) by virtue of *The Finance Act 2009, Schedule 47 (Consequential Amendments) Order 2009 (S.I. 2009/2035)*, art. 1, **Sch. para. 44**

Other interpretative provisions

306 Provisions about premiums

- (1) For the purposes of this Chapter, the presumption is that a sum paid on or in connection with the granting of a tenancy has been paid by way of premium.
- (2) This does not apply if the sum is rent.
- (3) This also does not apply so far as other sufficient consideration for the payment can be shown to have been given.
- (4) In this section “sum” includes the value of any consideration.
- (5) Where rule 3 in section 303 (rules for determining effective duration of lease) applies, the premium, or an appropriate part of it, payable for or in connection with either lease mentioned in that rule may be treated for the purposes of this Chapter as having been required under the other.

307 Interpretation

- (1) In this Chapter “premium” includes any similar sum payable to the immediate or a superior landlord or to a person connected with such a person.
- (2) In subsection (1) “sum” includes the value of any consideration.
- (3) In the application of this Chapter to Scotland—
 - “premium” includes, in particular, a grassum payable to the landlord under the lease in respect of which the grassum is payable or the landlord under any other lease of the property, and
 - “reversion” means the interest of the landlord in the property subject to the lease.
- (4) In the application of this Chapter to Scotland—
 - (a) references to a lease being granted out of a taxed lease are to the grant of a sublease of land subject to the taxed lease, and
 - (b) references to the lease so granted are to be read as references to the sublease.

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

CHAPTER 5

PROFITS OF PROPERTY BUSINESSES: OTHER RULES ABOUT RECEIPTS AND DEDUCTIONS

^{F87}Cash basis: application of Chapter

Textual Amendments

F87 Ss. 307A-307F and cross-headings 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. 23](#)

307A Cash basis: application of Chapter

- (1) The following provisions of this Chapter apply only where the profits of a property business are calculated on the cash basis—
 - (a) section 307B (cash basis: capital expenditure),
 - (b) section 307C (cash basis: deduction for costs of loans), and
 - (c) section 307D (cash basis: modification of deduction for costs of loans).
- (2) Sections 307E and 307F make provision about capital receipts in certain cases where the profits of a property business are calculated on the cash basis or have previously been calculated on the cash basis.

Property businesses using cash basis

307B Cash basis: capital expenditure

- (1) This section applies in relation to the calculation of the profits of a property business on the cash basis.
- (2) No deduction is allowed for an item of a capital nature incurred on, or in connection with, the acquisition or disposal of a business or part of a business.
- (3) No deduction is allowed for an item of a capital nature incurred on, or in connection with, education or training.
- (4) No deduction is allowed for an item of a capital nature incurred on, or in connection with, the provision, alteration or disposal of land.
- (5) But subsection (4) does not prevent a deduction being made for expenditure that—
 - (a) is incurred on the provision of a depreciating asset which, in being provided, is installed or otherwise fixed to qualifying land (see subsection (8)) so as to become, in law, part of the land, but
 - (b) is not incurred on, or in connection with, the provision of—
 - (i) a building,
 - (ii) a wall, floor, ceiling, door, gate, shutter or window or stairs,
 - (iii) a waste disposal system,
 - (iv) a sewerage or drainage system, or
 - (v) a shaft or other structure in which a lift, hoist, escalator or moving walkway may be installed.

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- (6) No deduction is allowed for an item of a capital nature incurred on, or in connection with, the provision, alteration or disposal of an asset for use in ordinary residential property (see subsection (8)). But see section 311A (replacement domestic items relief).
- (7) If an asset is provided partly for use in ordinary residential property and partly for other purposes, such apportionment of the expenditure incurred on, or in connection with, the provision, alteration or disposal of the asset is to be made for the purposes of subsection (6) as is just and reasonable.
- (8) In relation to the calculation of profits for a tax year—
- (a) “ordinary residential property” means a dwelling-house or part of a dwelling-house in relation to which an ordinary property business (see subsection (9)) is carried on in the tax year, and
 - (b) “qualifying land” means land not falling within paragraph (a).
- (9) “Ordinary property business” means—
- (a) so much of a UK property business as does not consist of the commercial letting of furnished holiday accommodation (within the meaning of Chapter 6) in the UK, or
 - (b) so much of an overseas property business as does not consist of the commercial letting of furnished holiday accommodation in one or more EEA states.
- (10) No deduction is allowed for an item of a capital nature incurred on, or in connection with, the provision, alteration or disposal of—
- (a) any asset that is not a depreciating asset (see subsections (11) and (12)),
 - (b) any asset not acquired or created for use on a continuing basis in the property business,
 - (c) a car (see subsection (20)),
 - (d) a non-qualifying intangible asset (see subsections (13) to (16)), or
 - (e) a financial asset (see subsection (17)).
- (11) An asset is a “depreciating” asset if, on the date the item of a capital nature is incurred, it is reasonable to expect that before the end of 20 years beginning with that date—
- (a) the useful life of the asset will end, or
 - (b) the asset will decline in value by 90% or more.
- (12) The useful life of an asset ends when it could no longer be of use to any person for any purpose as an asset of a business.
- (13) “Intangible asset” means anything that is capable of being an intangible asset within the meaning of FRS 105 and, in particular, includes—
- (a) an internally-generated intangible asset, and
 - (b) intellectual property.
- (14) An intangible asset is “non-qualifying” unless, by virtue of having a fixed maximum duration, it must cease to exist before the end of 20 years beginning with the date on which the item of a capital nature is incurred.
- (15) An intangible asset is “non-qualifying” if it consists of a right, whether conditional or not, to obtain an intangible asset without a fixed maximum duration by virtue of which that asset must, assuming the right is exercised at the last possible time, cease

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to exist before the end of 20 years beginning with the date on which the item of a capital nature is incurred.

- (16) Where—
- (a) the person carrying on the property business (“P”) has an intangible asset, and
 - (b) P grants a licence or any other right in respect of that asset to another person, any intangible asset that consists of a licence or other right granted to P in respect of the intangible asset mentioned in paragraph (a) is “non-qualifying”.
- (17) A “financial asset” means any right under or in connection with—
- (a) a financial instrument, or
 - (b) an arrangement that is capable of producing a return that is economically equivalent to a return produced under any financial instrument.
- (18) A reference to acquisition, provision, alteration or disposal includes potential acquisition, provision, alteration or (as the case may be) disposal.
- (19) If there is a letting of accommodation only part of which is furnished holiday accommodation, such apportionments as are just and reasonable in all the circumstances are to be made for the purposes of this section.
- (20) In this section—
- “arrangement” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);
 - “building” includes any fixed structure;
 - “car” has the same meaning as in Part 2 of CAA 2001 (see section 268A of that Act);
 - “financial instrument” has the same meaning as in FRS 105;
 - “FRS 105” means Financial Reporting Standard 105 (the Financial Reporting Standard applicable to the Micro-entities Regime), issued by the Financial Reporting Council in July 2015;
 - “intellectual property” means—
- (a) any patent, trade mark, registered design, copyright or design right, plant breeders' rights or rights under section 7 of the Plant Varieties Act 1997,
 - (b) any right under the law of a country or territory outside the United Kingdom corresponding or similar to a right within paragraph (a),
 - (c) any information or technique not protected by a right within paragraph (a) or (b) but having industrial, commercial or other economic value, or
 - (d) any licence or other right in respect of anything within paragraph (a), (b) or (c);
- “provision” includes creation, construction or acquisition.

307C Cash basis: deduction for costs of loans

- (1) Section 307D applies in calculating the profits of a property business for a tax year if conditions A to D are met.
- (2) Condition A is that the profits of the business are calculated on the cash basis for the tax year.

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(3) Condition B is that a deduction for costs of a loan is allowed in calculating the profits of the business for the tax year or, ignoring section 272A (restricting deductions for finance costs related to residential property) and section 307D (cash basis: modification of deduction for costs of loans), would be so allowed. In this section such a loan is referred to as a “relevant loan”.

(4) Condition C is that an amount of the principal of one or more relevant loans is outstanding at the end time (and a relevant loan in respect of which such an amount is outstanding at the end time is referred to in this section as an “outstanding relevant loan”).

(5) Condition D is that—

where—

L is the total outstanding amount of relevant loans (see subsections (6) and (7)), and

V is the sum of the values of all relevant properties (see subsections (8) to (10)).

(6) The “total outstanding amount of relevant loans”—

(a) if there is only one outstanding relevant loan, is the outstanding business amount of that loan, and

(b) if there are two or more outstanding relevant loans, is found by calculating the outstanding business amount of each such loan and adding those amounts together.

(7) The “outstanding business amount” of a relevant loan is given by—

where—

A is the amount of the principal of the loan which is outstanding at the end time,

X is the amount of the deduction for costs of the loan that would be allowed, apart from sections 272A and 307D, in calculating the profits of the business for the tax year, and

Y is the amount of the deduction for costs of the loan that would be allowed, apart from the wholly and exclusively rule and sections 272A and 307D, in calculating the profits of the business for the tax year.

(8) A property is a “relevant property” if—

(a) it is involved in the property business at the end time, or

(b) although it is not involved in the business at the end time—

(i) it was last involved in the business at an earlier time in the tax year, and

(ii) the person carrying on the business holds the property throughout the period beginning with that earlier time and ending with the end time.

(9) The “value” of a relevant property is the total of—

(a) the market value of the property at the time that it is first involved in the property business, and

(b) such amount of any expenditure of a capital nature incurred by the person carrying on the business in respect of the property as is not brought into

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account in calculating the profits of the business for the tax year or any previous tax year.

(10) A property is “involved in the property business” if it is a property whose exploitation forms the whole or part of the business.

(11) The “end time” is—

- (a) the time immediately before the end of the tax year, or
- (b) if in the tax year the person carrying on the business permanently ceases to carry it on, the time immediately before the person permanently ceases to carry on the business.

(12) “Costs”, in relation to a loan, means—

- (a) interest on the loan,
- (b) an amount in connection with the loan that, for the person receiving or entitled to the amount, is a return in relation to the loan which is economically equivalent to interest, or
- (c) incidental costs of obtaining finance by means of the loan.

(13) Section 58(2) to (4) (meaning of “incidental costs of obtaining finance”) apply for the purposes of subsection (12)(c).

(14) In this section—

“market value”, in relation to a property, means the price which the property might reasonably be expected to fetch—

- (a) in the market conditions then prevailing, and
- (b) between persons dealing with each other at arm's length in the open market;

“property” means an estate, interest or right in or over land;

“the wholly and exclusively rule” means the rule in section 34 (expenses not wholly and exclusively for trade and unconnected losses), as applied by section 272ZA (application of trading income rules: cash basis).

307D Cash basis: modification of deduction for costs of loans

(1) Where section 307C provides that this section applies in calculating the profits of a property business for a tax year, the amount which is allowed as a deduction for costs of a loan in calculating the profits for the tax year is the non-adjusted deduction multiplied by the relevant fraction. This is subject to section 272A (restricting deductions for finance costs related to residential property).

(2) “The non-adjusted deduction” means the deduction for costs of the loan that would be allowed, apart from section 272A and this section, in calculating the profits of the business for the tax year.

(3) “The relevant fraction” means—

where V and L have the same meaning as in section 307C.

(4) For the meaning of “costs of a loan” see section 307C.

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Property businesses that use, or have used, cash basis

307E Capital receipts under, or after leaving, cash basis

(1) This section applies in relation to a property business carried on by a person in two cases—

- (a) Case 1 (see subsections (2) to (4)), and
- (b) Case 2 (see subsections (5) to (8)).

(2) Case 1 is a case in which conditions A and B are met.

(3) Condition A is that the person receives disposal proceeds or a capital refund in relation to an asset in a tax year for which the profits of the property business are calculated on the cash basis (see section 271D).

For the meaning of “disposal proceeds” and “capital refund” see subsections (9) and (10).

(4) Condition B is that—

- (a) an amount of capital expenditure (see subsection (11)) relating to the asset has been brought into account in calculating the profits of the property business on the cash basis, or
- (b) an amount of relevant capital expenditure (see subsection (17)) relating to the asset has been brought into account in calculating the profits of the property business in accordance with GAAP (see section 271B)—
 - (i) by means of a deduction allowed under section 58 or 59 (incidental costs of obtaining finance) (as applied by section 272) or section 311A (replacement domestic items relief), or
 - (ii) under CAA 2001 (see subsection (20)).

(5) Case 2 is a case in which—

- (a) condition C is met, and
- (b) condition D or E is met.

(6) Condition C is that disposal proceeds or a capital refund arise to the person in relation to an asset in a tax year—

- (a) for which the profits of the property business are calculated in accordance with GAAP, and
- (b) which is after a tax year for which the profits of the business had been calculated on the cash basis.

(7) Condition D is that an amount of capital expenditure relating to the asset—

- (a) has been paid in a tax year for which the profits of the property business were calculated on the cash basis,
- (b) has been brought into account in calculating the profits of the business on the cash basis, and
- (c) on the assumption that the profits had not been calculated on the cash basis at the time the expenditure was paid, would not have been qualifying expenditure.

(8) Condition E is that—

- (a) an amount of capital expenditure relating to the asset has been brought into account in calculating the profits of the property business for a tax year in

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accordance with GAAP by means of a deduction allowed under section 58 or 59 (as applied by section 272) or section 311A, and

- (b) that tax year is before the tax year for which the person last entered the cash basis.
- (9) “Disposal proceeds” means—
- (a) any proceeds arising from the disposal of an 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, or
 - (c) any amount of damages, proceeds of insurance or other compensation received in respect of the asset.

See also section 307F for circumstances in which a person is to be regarded as disposing of an asset.

- (10) “Capital refund” means an amount that is (in substance) a refund of capital expenditure relating to an asset.
- (11) “Capital expenditure” means expenditure of a capital nature incurred, or treated as incurred, on or in connection with—
- (a) the provision, alteration or disposal of an asset, or
 - (b) the potential provision, alteration or disposal of an asset.
- (12) The disposal proceeds or capital refund mentioned in condition A or (as the case may be) condition C are to be brought into account as a receipt in calculating the profits of the property business.
- (13) In a case where only part of the total capital expenditure incurred, or treated as incurred, by the person in relation to the asset has been brought into account in calculating the profits of the property business (whether or not on the cash basis), the amount brought into account under subsection (12) is proportionately reduced. The reference in this subsection to expenditure brought into account includes a reference to expenditure brought into account under CAA 2001 (see subsection (20)).
- (14) Subsection (12) does not apply if the whole of the amount which would otherwise be brought into account under that subsection—
- (a) has already been brought into account as a receipt in calculating the profits of the property business under this section,
 - (b) is brought into account as a receipt in calculating the profits of the business under any other provision of this Part (except section 334D(4) (assets not fully paid for)), or
 - (c) is brought into account under Part 2 or 3A of CAA 2001 as a disposal value.

The reference to any other provision of this Part in paragraph (b) includes a reference to any provision applied by section 272 or 272ZA.

- (15) If part of the amount which would otherwise be brought into account under subsection (12) has already been or is brought into account as mentioned in subsection (14), subsection (12) applies in relation to the remainder of that amount.
- (16) For the purposes of this section, any question as to whether or to what extent expenditure is brought into account in calculating the profits of a property business is to be determined on such basis as is just and reasonable in all the circumstances.
- (17) In subsection (4)(b) “relevant capital expenditure” means capital expenditure which—

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- (a) has been incurred (or treated as incurred) by the person before the tax year for which the person last entered the cash basis, and
 - (b) is cash basis deductible in relation to that tax year.
- (18) For the purposes of this section, a person carrying on a property business “enters the cash basis” for a tax year if the profits of the business are calculated—
- (a) on the cash basis for the tax year, and
 - (b) in accordance with GAAP for the previous tax year.
- (19) Expenditure is “cash basis deductible” in relation to a tax year if, on the assumption that the expenditure was paid in that tax year, a deduction would be allowed in respect of the expenditure in calculating the profits of the property business on the cash basis for that tax year.
- (20) For the purposes of this section, expenditure is “brought into account under CAA 2001” in calculating the profits of a property business if and to the extent that—
- (a) a capital allowance made under Part 2 of that Act in respect of the expenditure is treated as an expense in calculating those profits (see sections 248 to 250A of that Act), or
 - (b) qualifying expenditure (within the meaning of Part 2 of CAA 2001) is allocated to a pool for a relevant qualifying activity and is set-off against different disposal receipts.
- (21) An amount of qualifying expenditure is “set-off against different disposal receipts” if—
- (a) the amount would have been unrelieved qualifying expenditure carried forward in the pool for the relevant qualifying activity, but
 - (b) the amount is not so carried forward because (and only because) one or more disposal values in respect of one or more assets, other than the asset in respect of which the qualifying expenditure was incurred (or treated as incurred), have at any time been brought into account in that pool.
- (22) For the purposes of subsections (20) and (21), an activity is a “relevant qualifying activity” if—
- (a) it is a qualifying activity mentioned in section 15(1)(b) to (da) of CAA 2001 (property business activities), and
 - (b) the property business consists of or includes that qualifying activity.
- (23) For the purposes of subsection (21), an amount of qualifying expenditure incurred (or treated as incurred) by a person is not to be regarded as not carried forward because the person enters the cash basis.
- (24) In this section—
- “disposal value” means—
 - (a) in subsection (14)(c)—
 - (i) a disposal value for the purposes of Part 2 of CAA 2001 (see, in particular, section 61 of that Act), or
 - (ii) proceeds from a balancing event for the purposes of Part 3A of that Act (see section 360O of that Act), and
 - (b) in subsection (21), a disposal value for the purposes of Part 2 of that Act; “pool” means the main pool or a class pool to which qualifying expenditure is allocated under Part 2 of CAA 2001 (see section 54 of that Act);

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“provision” includes creation, construction or acquisition;

“qualifying expenditure” means qualifying expenditure within the meaning of Part 2 of CAA 2001 (see section 11(4) of that Act for the general rule);

“unrelieved qualifying expenditure” means unrelieved qualifying expenditure for the purposes of Part 2 of CAA 2001 (see section 59(1) and (2) of that Act).

307F Deemed capital receipts under, or after leaving, cash basis

- (1) This section makes provision supplementary to section 307E.
- (2) If—
 - (a) at any time a person ceases to use an asset or any part of it for the purposes of a property business (other than in the circumstances mentioned in subsection (5)), 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 section 307E as disposing of the asset (or that part) at that time for an amount equal to the market value amount.
- (3) If at any time there is a material increase in the person's non-business use of an asset or any part of it, the person is to be regarded for the purposes of section 307E as disposing of the asset (or that part) at that time for an amount equal to the relevant proportion of the market value amount.
- (4) For the purposes of subsection (3)—
 - (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 property business 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 (3).
- (5) If—
 - (a) the property business in respect of which capital expenditure relating to an asset has been brought into account as mentioned in section 307E is an overseas property business, and
 - (b) there is a move overseas, the person is to be regarded for the purposes of section 307E as disposing of the asset at the time of the move overseas for an amount equal to the market value amount.
- (6) For the purposes of subsection (5) there is a “move overseas” if—
 - (a) the person ceases to be UK resident, or
 - (b) the tax year is, as respects the person, a split year, and the overseas part of the tax year is the later part.
- (7) The move overseas occurs—

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- (a) in a case falling within subsection (6)(a), on the last day of the tax year for which the person is UK resident, or
 - (b) in a case falling within subsection (6)(b), on the last day of the UK part of the tax year.
- (8) In this section—
- “capital expenditure” has the same meaning as in section 307E,
 - “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.]

Modifications etc. (not altering text)

- C10** S. 307F excluded in part (16.11.2017) by 1992 c. 12, s. 37(1A)-(1C) (as inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 44](#))

[^{F88}Property allowance

Textual Amendments

- F88** S. 307G and cross-heading inserted (16.11.2017) (with effect in accordance with Sch. 3 para. 13 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 3 para. 8](#)

307G Property allowance

- (1) The rules for calculating the profits of an individual's property business are subject to Chapter 2 of Part 6A (property allowance).
- (2) That Chapter gives relief on relevant property income and, where relief is given, disallows all deductions under this Part which relate to that income (see, in particular, sections 783BC, 783BF and 783BH).]

Furnished accommodation: receipts and deductions

308 Furnished lettings

- (1) In calculating the profits of a property business which consists of or includes a furnished letting—
 - (a) any sum payable for the use of furniture is brought into account as a receipt, and
 - (b) a deduction is allowed for expenses [^{F89}of a revenue nature] incurred in connection with the provision of furniture.
- (2) But subsection (1) does not apply to receipts or expenses brought into account in calculating the profits of a trade which consists of, or involves, making furniture available for use in premises.

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- (3) A furnished letting is a lease or other arrangement under which—
- (a) a sum is payable in respect of the use of premises, and
 - (b) the person entitled to the use of the premises is also entitled, in connection with that use, to the use of furniture.
- (4) In this section—
- (a) “premises” includes a caravan and a houseboat, and
 - (b) “sum” includes the value of any consideration.

Textual Amendments

F89 Words in s. 308(1)(b) inserted (with effect in accordance with s. 73(8)(9) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 73\(4\)](#)

F90
...

Textual Amendments

F90 Ss. 308A-308C and cross-heading omitted (with effect in accordance with s. 74(2) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 74\(1\)\(a\)](#)

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[^{F91}Furnished accommodation: rent-a-room relief]

Textual Amendments

F91 Ss. 308A-308C and cross-heading inserted (with effect in accordance with art. 13(1) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2011 \(S.I. 2011/1037\), arts. 1, 11\(2\)](#)

309 Rent-a-room relief

- (1) The rules for calculating the profits of an individual's UK property business are subject to Chapter 1 of Part 7 (rent-a-room relief).
- (2) That Chapter provides relief on income from the use of furnished accommodation in the individual's only or main residence (see, in particular, sections 793 and 797).

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Treatment of receipts on acquisition of business

310 Acquisition of business: receipts from transferor's UK property business

- (1) This section applies if—
 - (a) a person (“the transferor”) permanently ceased to carry on a UK property business at any time,
 - (b) at that time the transferor transferred to another (“the transferee”) the right to receive sums arising from the carrying on of any business (“the transferred business”) comprised in the transferor's UK property business, and
 - (c) the transferee subsequently carries on the transferred business.
- (2) Sums—
 - (a) which the transferee receives as a result of the transfer, and
 - (b) which are not brought into account in calculating the profits of the transferor's UK property business for any period before the cessation,
 are brought into account in calculating the profits of the transferee's UK property business in the period of account in which they are received.
- (3) Any sums mentioned in subsection (1)(b) which are received after the cessation of the transferor's property business are not post-cessation receipts (see Chapter 10).
- (4) This section has effect as if it were contained in Chapter 10.

Reverse premiums as receipts

311 Reverse premiums

- (1) This section applies if—
 - (a) a person receives a reverse premium, and
 - (b) the reverse premium is not brought into account under section 101(2) in calculating the profits of any trade carried on by the person.
- (2) The person is treated as—
 - (a) entering into a transaction mentioned in section 264 (if the land to which the property transaction relates is in the United Kingdom) or section 265 (if that land is outside the United Kingdom), and
 - (b) receiving the reverse premium as a result of that transaction.
- (3) Accordingly, the reverse premium is brought into account as a receipt in calculating the profits of the property business which consists of or includes that transaction.
- (4) Subsection (5) applies if—
 - (a) two or more of the parties to the property arrangements are connected persons, and
 - (b) the terms of those arrangements are not such as would reasonably have been expected if those persons had been dealing at arm's length.
- (5) The whole amount or value of the reverse premium is brought into account in the period of account in which the property transaction is entered into.
- (6) Expressions used in this section and sections 99 to 103 have the same meaning in this section as they do in those sections.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

[^{F92}Deduction for replacement of domestic items

Textual Amendments

F92 S. 311A and cross-heading inserted (with effect in accordance with s. 73(8)(9) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 73\(1\)](#)

311A Replacement domestic items relief

- (1) This section applies if conditions A to D are met.
- (2) Condition A is that a person (“P”) carries on a property business in relation to land which consists of or includes a dwelling-house.
- (3) Condition B is that—
 - (a) a domestic item has been provided for use in the dwelling-house (“the old item”),
 - (b) P incurs expenditure on a domestic item for use in the dwelling-house (“the new item”),
 - (c) the new item is provided solely for the use of the lessee,
 - (d) the new item replaces the old item, and
 - (e) following that replacement, the old item is no longer available for use in the dwelling-house.
- (4) Condition C is that a deduction for the expenditure is not prohibited by the wholly and exclusively rule but would otherwise be prohibited by the capital expenditure rule (see subsection (15)).
- (5) Condition D is that no allowance under CAA 2001 may be claimed in respect of the expenditure.
- (6) In calculating the profits of the business, a deduction for the expenditure is allowed. But this is subject to subsections (7) and (8).
- (7) No deduction is allowed for expenditure in a tax year if—
 - (a) the business consists of or includes the commercial letting of furnished holiday accommodation (see Chapter 6), and
 - (b) the dwelling-house constitutes some or all of that accommodation for the tax year.
- (8) No deduction is allowed for expenditure in a tax year if—
 - (a) the person has rent-a-room receipts in respect of the dwelling-house for the tax year, and
 - (b) section 793 or 797 (rent-a-room relief) applies in relation to those receipts.
- (9) The basic amount of the deduction is as follows—
 - (a) where the new item is the same or substantially the same as the old item, the deduction is equal to the expenditure incurred by P on the new item;
 - (b) where the new item is not the same or substantially the same as the old item, the deduction is equal to so much of the expenditure incurred by P on the new item as does not exceed the expenditure which P would have incurred on an item which is the same or substantially the same as the old item.

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Subsections (10) to (13) make further provision about the calculation of the deduction in certain cases.

- (10) If P incurs incidental expenditure of a capital nature in connection with the disposal of the old item or the purchase of the new item, the deduction is increased by the amount of the incidental expenditure.
- (11) If the old item is disposed of in part-exchange for the new item—
- (a) the expenditure incurred by P on the new item is treated as including an amount equal to the value of the old item, and
 - (b) the deduction is reduced by that amount.
- (12) If the old item is disposed of other than in part-exchange for the new item, the deduction is reduced by the amount or value of any consideration in money or money's worth which P or a person connected with P receives, or is entitled to receive, in respect of the disposal.
- (13) For the purposes of subsection (12), where the old item is disposed of together with other consideration, the consideration in respect of the disposal mentioned in that subsection is taken not to include the amount of, or an amount equal to the value of, that other consideration.
- (14) In this section, “domestic item” means an item for domestic use (such as furniture, furnishings, household appliances and kitchenware), and does not include anything that is a fixture.

“Fixture”—

- (a) means any plant or machinery that is so installed or otherwise fixed in or to a dwelling-house as to become, in law, part of that dwelling-house, and
- (b) includes any boiler or water-filled radiator installed in a dwelling-house as part of a space or water heating system.

“Plant or machinery” here has the same meaning as in Part 2 of CAA 2001.

- (15) In this section—

[^{F93}“the capital expenditure rule” means—

- (a) in relation to a property business whose profits are calculated in accordance with GAAP, section 33 (capital expenditure), as applied by section 272, and
- (b) in relation to a property business whose profits are calculated on the cash basis, section 307B (cash basis: capital expenditure);]

“lessee” means the person who is entitled to the use of the dwelling-house under a lease or other arrangement under which a sum is payable in respect of the use of the dwelling-house;

“the wholly and exclusively rule” means ^{F94}... section 34 (expenses not wholly and exclusively for trade and unconnected losses), as applied by section 272 [^{F95}or 272ZA].]

Textual Amendments

F93 Words in s. 311A(15) substituted (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. 24(a)

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- F94** Words in s. 311A(15) omitted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of Finance (No. 2) Act 2017 (c. 32), Sch. 2 para. 24(b)(i)
- F95** Words in s. 311A(15) 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. 24(b)(ii)

Deductions for expenditure on energy-saving items

312 Deduction for expenditure on energy-saving items

- (1) This section applies if—
- (a) a person carries on a property business in relation to land which consists of or includes a dwelling-house,
 - (b) the person incurs expenditure in acquiring and installing [^{F96}an energy-saving item in the dwelling-house or in a building containing the dwelling-house [(see subsections (5) to (7)),
 - (c) the expenditure is incurred before 6th April [^{F97}2015] ,
 - (d) a deduction for the expenditure is not prohibited by the wholly and exclusively rule but would otherwise be prohibited by the capital prohibition rule (see subsection (8)), and
 - (e) no allowance under CAA 2001 may be claimed in respect of the expenditure.
- (2) In calculating the profits of the business, a deduction for the expenditure is allowed.
- (3) But any deduction is subject to—
- (a) section 313 (restrictions on the relief), and
 - (b) any provision made by regulations under section 314.
- (4) If, on a just and reasonable apportionment of any expenditure, part of the expenditure would qualify for the relief (but the remainder would not), a deduction is allowed for that part.
- (5) “Energy-saving item” means—
- (a) cavity wall insulation,
 - (b) loft insulation, or
 - (c) such other descriptions of items of an energy-saving nature as are for the time being specified in regulations made by the Treasury.
- (6) The Treasury may by regulations provide for an item to be treated as an energy-saving item only if it satisfies such conditions as may be—
- (a) specified in, or
 - (b) determined in accordance with,
- the regulations.
- (7) The conditions may include conditions imposed by reference to information or documents issued by any body, person or organisation.
- (8) In this section—
- “the capital prohibition rule” means the rule in section 33 (capital expenditure), as applied by section 272, and

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“the wholly and exclusively rule” means the rule in section 34 (expenses not wholly and exclusively for trade and unconnected losses), as applied by section 272.

Textual Amendments

- F96** Words in s. 312(1)(b) substituted (19.7.2007 with effect as stated in s. 18(6) of the amending Act) by [Finance Act 2007 \(c. 11\), s. 18\(2\)](#)
- F97** Word in s. 312(1)(c) substituted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 18\(3\)](#)

313 Restrictions on relief

- (1) This section restricts deductions that would otherwise be allowable under section 312.
- (2) No deduction is allowed if, when the energy-saving item is installed, the dwelling-house—
 - (a) is in the course of construction, or
 - (b) is comprised in land in which the person does not have an interest or is in the course of acquiring an interest or further interest.
- (3) No deduction is allowed in respect of expenditure in a tax year if—
 - (a) the business consists of or includes the commercial letting of furnished holiday accommodation (see Chapter 6), and
 - (b) the dwelling-house constitutes some or all of that accommodation for the tax year.
- (4) No deduction is allowed if—
 - (a) the person derives rent-a-room receipts from the dwelling-house, and
 - (b) those receipts are brought into account in calculating the profits of the business in accordance with section 793 or 797 (rent-a-room relief).
- (5) No deduction is allowed in respect of expenditure treated by section 57 (as applied by section 272) as incurred on the date on which the person starts to carry on the business unless the expenditure was incurred not more than 6 months before that date.
- [^{F98}(6) No deduction is allowed in respect of expenditure incurred in acquiring and installing the energy-saving item in a building containing the dwelling-house in so far as the expenditure is not for the benefit of the dwelling-house.]

Textual Amendments

- F98** S. 313(6) inserted (19.7.2007 with effect as stated in s. 18(6) of the amending Act) by [Finance Act 2007 \(c. 11\), s. 18\(4\)](#)

314 Regulations

- (1) In relation to any deduction under section 312, the Treasury may make regulations for—
 - (a) restricting or reducing the amount of expenditure for which the deduction is allowable,

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- (b) excluding entitlement to the deduction in such cases as may be specified in, or determined in accordance with, the regulations,
 - (c) determining who is (and is not) entitled to the deduction if different persons have different interests in land that consists of or includes the whole or part of a building containing one or more dwelling-houses,
 - (d) making apportionments if the property business is carried on by persons in partnership or an interest in land is beneficially owned by persons jointly or in common.
- (2) The apportionments that may be made include apportionments to companies within the charge to corporation tax.
- [^{F99}(3) Regulations under this section may—
- (a) make different provision for different cases, and
 - (b) contain incidental, supplemental, consequential and transitional provision and savings (including provision as to appeals in relation to apportionments mentioned in subsection (1)(d)).]

Textual Amendments

F99 S. 314(3) inserted (retrospectively with effect as stated in s. 18(7)(8) of the amending Act) by [Finance Act 2007 \(c. 11\), s. 18\(5\)](#)

Deductions for expenditure on sea walls

315 Deduction for expenditure on sea walls

- (1) This section applies if in a tax year a person —
 - (a) is the owner or tenant of any premises, and
 - (b) incurs expenditure in making a sea wall or other embankment necessary for the preservation or protection of the premises against the encroachment or overflowing of the sea or any tidal river.
- (2) In calculating the profits of any property business carried on by the person in relation to the premises, a deduction is allowed for the expenditure in each tax year in the deduction period.
- (3) The deduction period comprises—
 - (a) the tax year in which the expenditure is incurred, and
 - (b) the next 20 tax years.
- (4) The amount of the deduction is 1/21 of the expenditure.
- (5) No deduction is allowed for any expenditure in respect of which a capital allowance has been made.
- (6) Section 316 deals with the case of an interest in the premises being transferred (and this section applies in that case as if the reference to the person in subsection (2) above included the transferor and the transferee).
- [^{F100}(7) In calculating the profits of a property business on the cash basis, any reference in this section to the incurring of expenditure is to the paying of expenditure.]

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Textual Amendments

F100 S. 315(7) 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. 25](#)

316 Transfer of interest in premises

- (1) This section applies if, during the deduction period, the whole of the person's interest in the premises or in any part of them is transferred, whether by operation of law or otherwise.
- (2) For the tax year in which the transfer takes place—
 - (a) the transferor and the transferee are entitled to a part of any deduction under section 315, and
 - (b) the amount of the deduction is determined by what is just and reasonable.
- (3) For subsequent tax years in the deduction period, the entitlement to any deduction under section 315 depends on whether the interest transferred is in the whole of the premises or in part of them.
- (4) If the interest transferred is in the whole of the premises, the transferee (but not the transferor) is entitled to any deduction under section 315.
- (5) If the interest transferred is in part of the premises—
 - (a) the transferor and the transferee are entitled to a part of any deduction under section 315, and
 - (b) the amount of the deduction is determined by reference to what is properly referable to the part of the premises.
- (6) This section is supplemented by sections 317 (ending of lease of premises) and 318 (transfer involving company within the charge to corporation tax).

317 Ending of lease of premises

- (1) If a person's interest in the premises is a lease that comes to an end before the end of the deduction period, the interest is treated as if transferred to the following persons.
- (2) If a new lease of the premises is granted and the new tenant makes a payment in respect of the embankment in question to the old tenant, the transferee is the new tenant.
- (3) Otherwise the transferee is the owner of the interest in immediate reversion on the lease (or, in Scotland, the landlord).

318 Transfer involving company within the charge to corporation tax

- (1) This section explains how section 316 works if—
 - (a) the transferor is a person within the charge to income tax and the transferee is a company within the charge to corporation tax, or
 - (b) the transferor is a company within the charge to corporation tax and the transferee is a person within the charge to income tax.
- (2) Section 316 applies only for the purpose of determining—

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- (a) whether the person within the charge to income tax is entitled to a deduction (or part of a deduction) under section 315, and
 - (b) the amount of any such deduction.
- (3) Accordingly, any reference to—
- (a) whether a person is entitled to a deduction (or part of a deduction) under section 315, or
 - (b) the amount of any such deduction,
- is ignored if the person is a company within the charge to corporation tax.
- (4) For any entitlement of a company within the charge to corporation tax to a deduction for any of the expenditure, see [^{F101}sections 255 to 257 of CTA 2009] (corresponding corporation tax provision).

Textual Amendments

F101 Words in s. 318(4) 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. 628](#) (with [Sch. 2 Pts. 1, 2](#))

Mineral royalties

^{F102}**319 Relief in respect of mineral royalties**

.....

Textual Amendments

F102 S. 319 repealed (with effect in accordance with [Sch. 39 para. 43\(3\)](#) of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 39 para. 43\(1\)\(b\)](#)

Apportionments on sale of land

320 Nature of item apportioned on sale of estate or interest in land

- (1) This section applies if—
- (a) a person sells an estate or interest in land,
 - (b) on the sale a part of a receipt or outgoing in respect of the estate or interest is apportioned to the seller, and
 - (c) the receipt or outgoing is receivable or to be paid by the buyer after the apportionment is made.
- (2) In calculating the profits of the seller's property business, the part apportioned is treated as being of the same nature as the receipt or outgoing.

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Mutual business

321 Mutual business

- (1) Nothing in this Part is to be read as applying the rules relating to mutual business to property businesses.
- (2) Accordingly, receipts and expenses are to be brought into account in calculating the profits of a person's property business even if a relationship of mutuality exists between that person and another.

CHAPTER 6

COMMERCIAL LETTING OF FURNISHED HOLIDAY ACCOMMODATION

Introduction

322 Introduction

- (1) This Chapter explains for the purposes of this Part what is meant by the commercial letting of furnished holiday accommodation (see sections 323 to 326).
- (2) It matters whether a UK property business consists of or includes the commercial letting of furnished holiday accommodation for the purposes of—
 - [^{F103}(za) section 272B(4) (exception from restriction on deductibility of finance costs),]
 - [^{F104}(zaa) section 307B (cash basis: capital expenditure),]
 - [^{F105}(zb) section 311A (replacement domestic items relief: see subsection (7)),]
 - (a) section 312 (deduction for expenditure on energy-saving items: see section 313(3)),
 - (b) ^{F106}
 - (c) ^{F106}
 - (d) certain provisions of TCGA 1992 (see section 241 of that Act),
 - (e) CAA 2001 (see, for example, sections 248 and 249 of that Act),
 - [^{F107}(f) section 189(2)(ba) of FA 2004 (meaning of “relevant UK earnings” for pension purposes),
 - (g) Part 4 of ITA 2007 (loss relief: see section 127 of that Act),
 - [^{F108}(ga) section 399A(9) of ITA 2007 (exception from restriction on deductibility of interest on loans to invest in partnerships),”, and]
 - (h) section 836(3) of ITA 2007 (jointly held property: see exception D).]
- [^{F109}(2A) It matters whether an overseas property business consists of or includes the commercial letting of furnished holiday accommodation in one or more EEA states for the purposes of—
 - [^{F110}(za) section 272B(4) (exception from restriction on deductibility of finance costs),]
 - [^{F111}(zaa) section 307B (cash basis: capital expenditure),]
 - [^{F112}(zb) section 311A (replacement domestic items relief: see subsection (7)),]

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (a) section 312 (deduction for expenditure on energy-saving items: see section 313(3)),
 - (b) certain provisions of TCGA 1992 (see section 241A of that Act),
 - (c) CAA 2001 (see, for example, sections 250 and 250A of that Act),
 - (d) section 189(2)(bb) of FA 2004 (meaning of “relevant UK earnings” for pension purposes),
 - (e) Part 4 of ITA 2007 (loss relief: see section 127ZA of that Act),
 - ^{F113} [section 399A(9) of ITA 2007 (exception from restriction on deductibility of interest on loans to invest in partnerships),]and
 - (f) section 836(3) of ITA 2007 (jointly held property: see exception DA).]
- (3) This Chapter also supplements [^{F114} the provisions mentioned in subsection (2)] by providing in certain circumstances for the profits of the furnished holiday lettings part of a UK property business to be calculated separately (see sections 327 and 328).
- [^{F115}(4) This Chapter also supplements the provisions mentioned in subsection (2A) by providing in certain circumstances for the profits of the EEA furnished holiday lettings part of an overseas property business to be calculated separately (see sections 328A and 328B).]

Textual Amendments

- F103** S. 322(2)(za) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(6\)\(a\)](#)
- F104** S. 322(2)(zaa) 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. 26](#)
- F105** S. 322(2)(zb) inserted (with effect in accordance with s. 73(8)(9) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 73\(5\)](#)
- F106** S. 322(2)(b)(c) repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), ss. 1027, 1031, 1034, Sch. 1 para. 508\(a\), Sch. 3 Pt. 1](#) (with transitional provisions and savings in Sch. 2)
- F107** S. 322(2)(f)-(h) substituted for s. 322(2)(f) and preceding word (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. 508\(b\)](#) (with transitional provisions and savings in Sch. 2)
- F108** S. 322(2)(ga) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(6\)\(b\)](#)
- F109** S. 322(2A) inserted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 14 para. 2\(2\)\(a\)](#)
- F110** S. 322(2A)(za) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(6\)\(a\)](#)
- F111** S. 322(2A)(zaa) 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. 26](#)
- F112** S. 322(2A)(zb) inserted (with effect in accordance with s. 73(8)(9) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 73\(5\)](#)
- F113** S. 322(2A)(ea) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(6\)\(c\)](#)
- F114** Words in s. 322(3) substituted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 14 para. 2\(2\)\(b\)](#)
- F115** S. 322(4) inserted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 14 para. 2\(2\)\(c\)](#)

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Definition

323 Meaning of “commercial letting of furnished holiday accommodation”

- (1) A letting is a lease or other arrangement under which a person is entitled to the use of accommodation.
- (2) A letting of accommodation is commercial if the accommodation is let—
 - (a) on a commercial basis, and
 - (b) with a view to the realisation of profits.
- (3) A letting is of furnished holiday accommodation if—
 - (a) the person entitled to the use of the accommodation is also entitled, in connection with that use, to the use of furniture, and
 - (b) the accommodation is qualifying holiday accommodation (see sections 325 and 326).
- (4) This section applies for the purposes of this Chapter.

324 Meaning of “relevant period” in sections 325 and 326

- (1) For the purposes of sections 325 and 326 “the relevant period” for accommodation let by a person in a tax year is determined as follows.
- (2) If the accommodation was not let by the person as furnished accommodation in the previous tax year, “the relevant period” is 12 months beginning with the first day in the tax year on which it is let by the person as furnished accommodation.
- (3) If the accommodation—
 - (a) was let by the person as furnished accommodation in the previous tax year, but
 - (b) is not let by the person as furnished accommodation in the following tax year,

“the relevant period” is 12 months ending with the last day in the tax year on which it is let by the person as furnished accommodation.
- (4) Otherwise “the relevant period” is the tax year.

325 Meaning of “qualifying holiday accommodation”

- (1) Accommodation which is let by a person during a tax year is “qualifying holiday accommodation” for the tax year if the availability, letting and pattern of occupation conditions are met.
- (2) The availability condition is that, during the relevant period, the accommodation is available for commercial letting as holiday accommodation to the public generally for at least [^{F116} 210 days] .
- (3) The letting condition is that, during the relevant period, the accommodation is commercially let as holiday accommodation to members of the public for at least [^{F117} 105 days] .
- (4) For the purposes of the letting condition, a letting of accommodation for a period of longer-term occupation (see subsection (6)) is not a letting of it as holiday accommodation.

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (5) The pattern of occupation condition is that, during the relevant period, not more than 155 days fall during periods of longer-term occupation.
- (6) For the purposes of this section a “period of longer-term occupation” is a continuous period of more than 31 days during which the accommodation is in the same occupation otherwise than because of circumstances that are not normal.

Textual Amendments

- F116** Words in s. 325(2) substituted (with effect in accordance with Sch. 14 para. 5 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 2\(3\)\(a\)](#)
- F117** Words in s. 325(3) substituted (with effect in accordance with Sch. 14 para. 5 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 2\(3\)\(b\)](#)

326 Under-used holiday accommodation: averaging elections

- (1) This section applies if during a tax year a person lets both—
 - (a) qualifying holiday accommodation, and
 - (b) accommodation that would be qualifying holiday accommodation if the letting condition (see section 325(3)) were met in relation to it (“under-used accommodation”).
- (2) The person may make an election for the tax year specifying—
 - (a) the qualifying holiday accommodation, and
 - (b) any or all of the under-used accommodation.
- (3) The under-used accommodation so specified is treated as qualifying holiday accommodation for the tax year if the average of the number of let days for the tax year of all the accommodation specified in the election is at least ^{F118} 105].
- (4) “The number of let days” for a tax year of any accommodation is the number of days during the relevant period for which it is commercially let by the person as holiday accommodation to members of the public.
- (5) Qualifying holiday accommodation may not be specified in more than one election for a tax year.
- (6) An election for a tax year must be made on or before the first anniversary of the normal self-assessment filing date for the tax year.
- ^{F119}(7) This section is to apply separately in relation to accommodation in the United Kingdom and accommodation in EEA states ^{F120}....]

Textual Amendments

- F118** Word in s. 326(3) substituted (with effect in accordance with Sch. 14 para. 5 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 2\(4\)\(a\)](#)
- F119** S. 326(7) inserted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 2\(4\)\(b\)](#)
- F120** Words in s. 326(7) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, [13\(2\)](#) (with regs. 39–41); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

[^{F121}326A Under-used holiday accommodation: letting condition not met

- (1) This section applies if—
- (a) during a tax year a person lets qualifying holiday accommodation,
 - (b) the accommodation is let by the person—
 - (i) during the next tax year, or
 - (ii) during the next two tax years,
 - (c) the accommodation would (apart from this section) not be qualifying holiday accommodation—
 - (i) during the tax year mentioned in paragraph (b)(i), or
 - (ii) during both of the tax years mentioned in paragraph (b)(ii),
 only because of a failure to meet the letting condition (see section 325(3)), and
 - (d) there was a genuine intention to meet the letting condition for the tax year within subsection (1)(c)(i) or each of the tax years within subsection (1)(c)(ii) (as the case may be).
- (2) If the person makes an election in respect of that accommodation for any tax year in respect of which the failure mentioned in subsection (1)(c) occurs, the accommodation is to be treated as qualifying holiday accommodation for that tax year.
- (3) Subsection (2) does not apply for the purposes of section 326 or subsection (1)(a).
- (4) If an election is not made for the first of the tax years within subsection (1)(c)(ii), an election may not be made for the second.
- (5) An election for a tax year must be made on or before the first anniversary of the normal self-assessment filing date for the tax year.
- (6) References in subsection (1)(a) and (c) to qualifying holiday accommodation include accommodation treated as such under section 326.]

Textual Amendments

F121 S. 326A inserted (with effect in accordance with Sch. 14 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 2\(5\)](#)

Separate profit calculations

327 [^{F122}Relief: UK property business]

- (1) If a UK property business consists of both—
- (a) the commercial letting of furnished holiday accommodation (“the furnished holiday lettings part”), and
 - (b) other businesses or transactions (“the other part”),
- this section requires separate calculations to be made of the profits of the furnished holiday lettings part and the other part.
- (2) The calculations must be made if—
- (a) section 248 or 249 of CAA 2001 (giving effect to allowances and charges) applies to the furnished holiday lettings part or the other part, or

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- (b) any provision of [^{F123}Part 4 of ITA 2007] (loss relief) applies in relation to a loss made in either of those parts,^{F124} ...
- ^{F124}(c)

- (3) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable.

Textual Amendments

- F122** Words in s. 327 heading substituted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 2\(6\)](#)
- F123** Words in s. 327(2)(b) 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. 509](#) (with transitional provisions and savings in [Sch. 2](#))
- F124** S. 327(2)(c) and word omitted (with effect in accordance with s. 74(2) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 74\(1\)\(b\)](#)

328 Relevant UK earnings for pension [^{F125} purposes: UK property business]

- (1) If a UK property business consists of both—
- (a) the commercial letting of furnished holiday accommodation (“the furnished holiday lettings part”), and
 - (b) other businesses or transactions,
- this section requires a separate calculation to be made of the profits of the furnished holiday lettings part.
- (2) The calculation must be made if the profits of the furnished holiday lettings part are [^{F126}relevant UK earnings within section 189(2)(ba) of FA 2004.]
- (3) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable.

Textual Amendments

- F125** Words in s. 328 heading substituted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 2\(7\)](#)
- F126** Words in s. 328(2) 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. 510\(2\)](#) (with transitional provisions and savings in [Sch. 2](#))

[^{F127}328A Capital allowances and loss relief: overseas property business

- (1) If an overseas property business consists of both—
- (a) the commercial letting of furnished holiday accommodation in one or more EEA states (“the EEA furnished holiday lettings part”), and
 - (b) other businesses or transactions (“the other part”),
- this section requires separate calculations to be made of the profits of the EEA furnished holiday lettings part and the other part.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (2) The calculations must be made if—
- (a) section 250 or 250A of CAA 2001 (giving effect to allowances and charges) applies to the EEA furnished holiday lettings part or the other part, or
 - (b) any provision of Part 4 of ITA 2007 (loss relief) applies in relation to a loss made in either of those parts.
- (3) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable.

Textual Amendments

F127 Ss. 328A, 328B inserted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 2(8)**

328B Relevant UK earnings for pension purposes: overseas property business

- (1) If an overseas property business consists of both—
- (a) the commercial letting of furnished holiday accommodation in one or more EEA states (“the EEA furnished holiday lettings part”), and
 - (b) other businesses or transactions,
- this section requires a separate calculation to be made of the profits of the EEA furnished holiday lettings part.
- (2) The calculation must be made if the profits of the EEA furnished holiday lettings part are relevant UK earnings within section 189(2)(bb) of FA 2004.
- (3) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable.]

Textual Amendments

F127 Ss. 328A, 328B inserted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 2(8)**

CHAPTER 7

ADJUSTMENT INCOME

Adjustment on change of basis

329 Application of Chapter

- (1) This Chapter applies if—
- (a) a person carrying on a UK property business changes, from one period of account to the next, the basis on which profits of the business are calculated for income tax purposes,

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- (b) the old basis accorded with the law or practice applicable in relation to the period of account before the change, and
 - (c) the new basis accords with the law and practice applicable in relation to the period of account after the change.
- (2) The practice applicable in any case means the accepted practice in cases of that description as to how profits of a UK property business should be calculated for income tax purposes.
- (3) Subsections (3) to (6) of section 227 (what is meant by a person changing the basis on which profits are calculated) apply for the purposes of this section as they apply for the purposes of that section (but as if any reference to a trade were to a UK property business).

[^{F128}329A] Application of Chapter where cash basis used

This Chapter applies if—

- (a) the profits of a property business are calculated—
 - (i) on the cash basis for a tax year (see section 271D), and
 - (ii) in accordance with GAAP (see section 271B) for the following tax year, or
- (b) the profits of a property business are calculated—
 - (i) in accordance with GAAP for a tax year, and
 - (ii) on the cash basis for the following tax year.]

Textual Amendments

F128 S. 329A 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. 27**

330 Adjustment income and adjustment expense

- (1) An amount by way of adjustment must be calculated in accordance with section 231, which applies in relation to a UK property business as it applies in relation to a trade.
- (2) If the amount produced by the calculation is positive, it is treated as income and charged to income tax under this Chapter.
- It is referred to in this Chapter as “adjustment income”.
- (3) If the amount produced by the calculation is negative, a deduction is allowed for it in calculating the profits of the business.
- It is referred to in this Chapter as an “adjustment expense”.
- (4) This section is subject to section 234 (no adjustment for certain expenses previously brought into account), which applies in relation to a UK property business as it applies in relation to a trade.

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

331 Income charged

[^{F129}(1)] Tax is charged under this Chapter on the full amount of any adjustment income arising in the tax year.

[^{F130}(2) This is subject to section 334A (spreading on leaving cash basis and related election).]

Textual Amendments

F129 S. 331(1): s. 331 renumbered as s. 331(1) (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. 28(a)

F130 S. 331(2) 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. 28(b)

332 Person liable

The person liable for any tax charged under this Chapter is the person receiving or entitled to the adjustment income.

Treatment of adjustment income and adjustment expense

333 Treatment of adjustment income

- (1) Adjustment income is treated as arising on the last day of the first period of account for which the new basis is adopted.
- (2) But if there is a change of basis resulting from a tax adjustment affecting the calculation of any amount brought into account in respect of depreciation, adjustment income is treated as arising only when the asset to which it relates is realised or written off.
- (3) Adjustment income is treated for the purposes of [^{F131}Part 4 of ITA 2007](loss relief) as profits of the UK property business for the tax year in which tax is charged on it.

Textual Amendments

F131 Words in s. 333(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. 511 (with transitional provisions and savings in Sch. 2)

334 Treatment of adjustment expense

- (1) An adjustment expense is treated as an expense of the business arising on the last day of the first period of account for which the new basis is adopted.
- (2) But if there is a change of basis resulting from a tax adjustment affecting the calculation of any amount brought into account in respect of depreciation, an adjustment expense is treated as arising only when the asset to which it relates is realised or written off.

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

[^{F132}Spreading of adjustment income on leaving cash basis

Textual Amendments

F132 Ss. 334A-334E and cross-headings 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. 29

334A Spreading on leaving cash basis and related election

Sections 239A (spreading on leaving cash basis) and 239B (election to accelerate charge under section 239A) apply for the purposes of this Chapter as they apply for the purposes of Chapter 17 of Part 2, but as if—

- (a) for section 239A(1) there were substituted—
 - “(1) This section applies if the profits of a property business are calculated—
 - (a) on the cash basis for a tax year (see section 271D), and
 - (b) in accordance with GAAP (see section 271B) for the following tax year.”, and
- (b) any reference to section 239A or 239B were to the section concerned as applied by this section.

CHAPTER 7A

CASH BASIS: ADJUSTMENTS FOR CAPITAL ALLOWANCES

334B “Entering the cash basis”

For the purposes of this Chapter, a person carrying on a property business enters the cash basis for a tax year if the profits of the business are calculated—

- (a) on the cash basis for the tax year (see section 271D), and
- (b) in accordance with GAAP (see section 271B) for the previous tax year.

334C Unrelieved qualifying expenditure

- (1) This section applies if—
 - (a) a person carrying on a property business enters the cash basis for a tax year (“the current tax year”), and
 - (b) the person would, apart from section 59(4A) of CAA 2001, have unrelieved qualifying expenditure relating to a relevant property business activity to carry forward from the chargeable period which is the previous tax year.
- (2) But this section does not apply if section 334D applies.
- (3) In calculating the profits of the property business for the current tax year, a deduction is allowed for any cash basis deductible amount of the expenditure relating to each relevant property business activity.
- (4) A “cash basis deductible amount” of the expenditure means any amount of the expenditure for which a deduction would be allowed in calculating the profits of the

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property business on the cash basis on the assumption that the expenditure was paid in the current tax year.

(5) Any cash basis deductible amount of the expenditure is to be determined on such basis as is just and reasonable in all the circumstances.

(6) In this section—

“relevant property business activity” means—

(a) in relation to a UK property business, an ordinary UK property business and a UK furnished holiday lettings business (within the meaning of Part 2 of CAA 2001 (see sections 16 and 17 of that Act)), and

(b) in relation to an overseas property business, an ordinary overseas property business and an EEA furnished holiday lettings business (within the meaning of Part 2 of that Act (see sections 17A and 17B of that Act));

“unrelieved qualifying expenditure” means unrelieved qualifying expenditure for the purposes of Part 2 of CAA 2001 (see section 59(1) and (2) of that Act).

334D Assets not fully paid for

(1) This section applies if—

- (a) a person carrying on a property business enters the cash basis for a tax year (“the current tax year”),
- (b) at any time before the end of the chargeable period which is the previous tax year the person has incurred relevant expenditure, and
- (c) not all of the relevant expenditure has actually been paid by the person.

(2) “Relevant expenditure” means expenditure on plant or machinery—

- (a) for which a deduction would be allowed in calculating the profits of the property business on the cash basis on the assumption that the expenditure was paid in the current tax year, and
- (b) in respect of which the person has obtained capital allowances.

(3) If the amount of the relevant expenditure that the person has actually paid exceeds the amount of capital allowances given in respect of the relevant expenditure, the difference is to be deducted in calculating the profits of the property business for the current tax year.

(4) If the amount of the relevant expenditure that the person has actually paid is less than the amount of capital allowances given in respect of the relevant expenditure, the difference is to be treated as a receipt in calculating the profits of the property business for the current tax year.

(5) Any question as to whether or to what extent expenditure is relevant expenditure, or as to whether or to what extent any capital allowance obtained is in respect of relevant expenditure, is to be determined on such basis as is just and reasonable in all the circumstances.

(6) If the amount of capital allowances given in respect of the relevant expenditure has been reduced under section 205 or 207 of CAA 2001 (reduction where asset provided or used only partly for qualifying activity), the amount of the relevant expenditure

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that the person has actually paid is to be proportionately reduced for the purposes of this section.

334E Effect of election where predecessor and successor are connected persons

- (1) This section applies if—
 - (a) a person carrying on a property business enters the cash basis for a tax year,
 - (b) the person is the successor for the purposes of section 266 of CAA 2001, and
 - (c) as a result of an election under that section, relevant plant or machinery is treated as sold by the predecessor to the successor at any time during the tax year.
- (2) The provisions of this Chapter have effect in relation to the successor as if everything done to or by the predecessor had been done to or by the successor.
- (3) Any expenditure actually incurred by the successor on acquiring the relevant plant or machinery is to be ignored for the purposes of calculating the profits of the property business for the tax year.
- (4) In this section—

“the predecessor” has the same meaning as in section 266 of CAA 2001, and

“relevant plant or machinery” has the same meaning as in section 267 of that Act.]

CHAPTER 8

RENT RECEIVABLE IN CONNECTION WITH A UK SECTION 12(4) CONCERN

Charge to tax on rent receivable in connection with a UK section 12(4) concern

335 Charge to tax on rent receivable in connection with a UK section 12(4) concern

Income tax is charged on rent receivable in connection with a UK section 12(4) concern.

336 Meaning of “rent receivable in connection with a UK section 12(4) concern”

- (1) For the purposes of this Chapter rent is receivable in connection with a UK section 12(4) concern if—
 - (a) it is receivable in respect of an estate, interest or right in or over land in the United Kingdom, and
 - (b) the estate, interest or right is used, occupied or enjoyed in connection with a concern listed in section 12(4).
- (2) For the purposes of this Chapter rent is also receivable in connection with a UK section 12(4) concern if—
 - (a) it is receivable in respect of an estate, interest or right in or over land in the United Kingdom,
 - (b) the lease or other agreement under which it is receivable provides for its recoupment by reducing royalties or payments of a similar nature, and

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- (c) the reduction applies if the estate, interest or right is used, occupied or enjoyed in connection with a concern listed in section 12(4).
- (3) In this Chapter “rent” includes—
- (a) a receipt mentioned in section 266(3), and
 - (b) any other receipt in the nature of rent.

337 Income charged

- (1) Tax is charged under this Chapter on the full amount of the profits arising in the tax year.
- (2) This is subject to—
 - section 339 (deduction for management expenses of owner of mineral rights),
 - F133 ...
 - F133 ...

Textual Amendments

F133 S. 337 entry omitted (with effect in accordance with Sch. 39 para. 43(3) of the amending Act) by virtue of Finance Act 2012 (c. 14), **Sch. 39 para. 43(2)(a)(i)**

338 Person liable

The person liable for any tax charged under this Chapter is the person receiving or entitled to the rent.

Management expenses of owner of mineral rights

339 Deduction for management expenses of owner of mineral rights

- (1) This section applies if in a tax year—
 - (a) a person lets a right to work minerals in the United Kingdom, and
 - (b) the person pays a sum wholly and exclusively as an expense of management or supervision of the minerals in the tax year.
- (2) In calculating the amount of rent receivable in connection with a UK section 12(4) concern, a deduction is allowed for the sum for the tax year.

F134(3)

Textual Amendments

F134 S. 339(3) omitted (with effect in accordance with Sch. 39 para. 43(3) of the amending Act) by virtue of Finance Act 2012 (c. 14), **Sch. 39 para. 43(2)(a)(ii)**

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Mineral royalties

^{F135}340 Relief in respect of mineral royalties

.....

Textual Amendments

F135 Ss. 340-343 repealed (with effect in accordance with Sch. 39 para. 43(3) of the amending Act) by Finance Act 2012 (c. 14), **Sch. 39 para. 43(1)(c)**

^{F135}341 Meaning of “mineral lease or agreement” and “mineral royalties”

.....

Textual Amendments

F135 Ss. 340-343 repealed (with effect in accordance with Sch. 39 para. 43(3) of the amending Act) by Finance Act 2012 (c. 14), **Sch. 39 para. 43(1)(c)**

^{F135}342 Extended meaning of “mineral royalties” etc. in Northern Ireland

.....

Textual Amendments

F135 Ss. 340-343 repealed (with effect in accordance with Sch. 39 para. 43(3) of the amending Act) by Finance Act 2012 (c. 14), **Sch. 39 para. 43(1)(c)**

^{F135}343 Power of [^{F136}Commissioners] to determine what counts as “mineral royalties”

.....

Textual Amendments

F135 Ss. 340-343 repealed (with effect in accordance with Sch. 39 para. 43(3) of the amending Act) by Finance Act 2012 (c. 14), **Sch. 39 para. 43(1)(c)**

F136 Word in s. 343 substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 ss. 50, 53(1), {Sch. 4 para. 132(3)(a)}; S.I. 2005/1126, **art. 2(h)**

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

CHAPTER 9

RENT RECEIVABLE FOR UK ELECTRIC-LINE WAYLEAVES

Charge to tax on rent receivable for UK electric-line wayleaves

344 Charge to tax on rent receivable for a UK electric-line wayleave

Income tax is charged on rent receivable for a UK electric-line wayleave.

345 Meaning of “rent receivable for a UK electric-line wayleave”

- (1) For the purposes of this Chapter rent is receivable for a UK electric-line wayleave if—
 - (a) it is receivable in respect of an easement, servitude or right in or over land in the United Kingdom, and
 - (b) the easement, servitude or right is enjoyed in connection with an electric, telegraph or telephone wire or cable.
- (2) The reference to the enjoyment of an easement, servitude or right in connection with an electric, telegraph or telephone wire or cable includes (in particular) its enjoyment in connection with—
 - (a) a pole or pylon supporting such a wire or cable, or
 - (b) apparatus used in connection with such a wire or cable.
- (3) In this Chapter “rent” includes—
 - (a) a receipt mentioned in section 266(3), and
 - (b) any other receipt in the nature of rent.

346 Extent of charge to tax

- (1) Rent receivable for a UK electric-line wayleave is not chargeable to tax under this Chapter for a tax year if—
 - (a) a person carries on a UK property business in relation to some or all of the land to which the wayleave relates, and
 - (b) receipts (other than rents receivable for UK electric-line wayleaves) in respect of some or all of that land are brought into account in calculating the profits of the business for the tax year.
- (2) In such a case, the rent receivable for the UK electric-line wayleave is brought into account in calculating the profits of the person's UK property business.
- (3) The rules for determining whether an amount is chargeable to tax under this Chapter also need to be read with section 22(2) (payments for wayleaves if person carries on a trade).
- (4) That subsection secures that an amount which would otherwise be chargeable to tax under this Chapter may be brought into account instead in calculating the profits of a trade.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

347 Income charged

Tax is charged under this Chapter on the full amount of the profits arising in the tax year.

348 Person liable

The person liable for any tax charged under this Chapter is the person receiving or entitled to the rent.

CHAPTER 10

POST-CESSATION RECEIPTS

Modifications etc. (not altering text)

C11 Pt. 3 Ch. 10 applied (with modifications) (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 16 para. 2\(4\)](#) (a)

*Charge to tax on post-cessation receipts***349 Charge to tax on post-cessation receipts**

Income tax is charged on post-cessation receipts arising from a UK property business.

350 Extent of charge to tax

- (1) A post-cessation receipt is chargeable to tax under this Chapter only so far as the receipt is not otherwise chargeable to income or corporation tax.
- (2) Accordingly, a post-cessation receipt arising from a UK property business is not chargeable to tax under this Chapter so far as it is brought into account in calculating the profits of the business for any period.

351 Income charged

- (1) Tax is charged under this Chapter on the full amount of the receipts received in the tax year.
- (2) This is subject to—
 - (a) sections 254 and 255 (allowable deductions), and
 - (b) section 257 (election to carry back),
 which apply for the purposes of this Chapter as they apply for the purposes of Chapter 18 of Part 2 (but as if any reference to a trade were to a UK property business).
- [^{F137}(3) Further to subsection (2), section 254 applies for the purposes of this Chapter as if for subsection (2A) of that section there were substituted—

“(2A) If the time immediately before the person permanently ceases to carry on the UK property business falls in a cash basis tax year, assume for the purposes of subsection (2) that the profits of the business are calculated on the cash basis.”

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (4) For the purposes of sections 254 (as so applied) and 353, a tax year is “a cash basis tax year” in relation to a property business if the profits of the business for the tax year are calculated on the cash basis (see section 271D).]

Textual Amendments

F137 S. 351(3)(4) 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. 30** (with Sch. 2 para. 30(3)(4))

352 Person liable

The person liable for any tax charged under this Chapter is the person receiving or entitled to the receipts.

Meaning of “post-cessation receipts”

353 Basic meaning of “post-cessation receipt”

- (1) In this Chapter “post-cessation receipt” means a sum—
- (a) which is received after a person permanently ceases to carry on a UK property business, and
 - (b) which arises from the carrying on of the business before the cessation.

[^{F138}(1A) If the time immediately before a person permanently ceases to carry on a UK property business falls in a cash basis tax year (see section 351(4)), a sum is to be treated as a post-cessation receipt only if it would have been brought into account in calculating the profits of the business on the cash basis had it been received at that time.]

- (2) Subsection (3) applies if—
- (a) a firm carries on a UK property business,
 - (b) a person ceases to be a partner in the firm, and
 - (c) at least one of the persons with whom the partner carried on the business before ceasing to be a partner continues to carry it on afterwards.
- (3) The partner is treated for the purposes of this Chapter as permanently ceasing to carry on the business.

Textual Amendments

F138 S. 353(1A) 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. 31**

Modifications etc. (not altering text)

C12 Ss. 353-368 modified (7.4.2005) by Finance Act 2005 (c. 7), s. 51(2)

354 Other rules about what counts as a “post-cessation receipt”

- (1) Section 355 (transfer of rights if transferee does not carry on UK property business) treats certain amounts as being, or not being, post-cessation receipts for the purposes of this Chapter.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (2) The following provisions (which treat certain amounts as post-cessation receipts) apply for the purposes of this Chapter as they apply for the purposes of Chapter 18 of Part 2 (but as if any reference to a trade were to a UK property business)—
- section 82(6) (contributions to local enterprise organisations or urban regeneration companies),
 - section 104(3) (distribution of assets of mutual concerns),
 - section 109(2) (receipt by donor or connected person of benefit attributable to certain gifts),
 - section 248 (debts paid after cessation) [^{F139}(reading the reference in subsection (3) to section 96 of ITA 2007 as a reference to section 125 of that Act)],
 - section 249 (debts released after cessation), as qualified, where appropriate, by section 48(4) (car ^{F140}... hire), and
 - section 250 (receipts relating to post-cessation expenditure) [^{F141}(reading the reference in subsection (1) to section 96 of ITA 2007 as a reference to section 125 of that Act)] .
- (3) This Chapter also needs to be read with—
- (a) section 310(3) (which treats certain amounts as not being post-cessation receipts), and
 - (b) section 844 (which treats certain income as a post-cessation receipt: unremittable income).

Textual Amendments

F139 Words in s. 354(2) 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. 512\(a\)](#) (with transitional provisions and savings in [Sch. 2](#))

F140 Words in s. 354(2) omitted (with effect in accordance with Sch. 11 paras. 65-67 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 11 para. 43](#)

F141 Words in s. 354(2) 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. 512\(b\)](#) (with transitional provisions and savings in [Sch. 2](#))

Modifications etc. (not altering text)

C13 Ss. 353-368 modified (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), s. 51(2)

355 Transfer of rights if transferee does not carry on UK property business

- (1) This section applies if—
- (a) a person (“the transferor”) permanently ceases to carry on a UK property business,
 - (b) the transferor transfers to another person (“the transferee”) for value the right to receive sums arising from the carrying on of any business (“the transferred business”) comprised in the transferor's UK property business, and
 - (c) the transferee does not subsequently carry on the transferred business.
- (2) The transferor is treated as receiving a post-cessation receipt.
- (3) The amount of the receipt is—

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (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 property business are not post-cessation receipts.

Modifications etc. (not altering text)

C14 Ss. 353-368 modified (7.4.2005) by [Finance Act 2005 \(c. 7\), s. 51\(2\)](#)

Supplementary

356 Application to ^{F142}businesses within the charge to corporation tax]

- (1) In this Chapter (except in [^{F143}sections 353(1A) and 355, and in the modification of section 254 in section 351(3)]) any reference to a UK property business includes [^{F144}one within the charge to corporation tax] .
- (2) In this Chapter (except in section 355) any reference to a person permanently ceasing to carry on a UK property business [^{F145}includes, in the case of a company, the occurrence of an event treated under section 289 of CTA 2009 (company starting or ceasing to be within the charge to corporation tax) as the company permanently ceasing to carry on the business.]
- (3) In applying any provision of Chapter 18 of Part 2 for the purposes of this Chapter references to the calculation of the profits of a trade for corporation tax purposes are to be read as references to the calculation of the profits of a [^{F146}UK property business] for corporation tax purposes.

Textual Amendments

F142 Words in s. 356 title 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. 629\(5\)](#) (with [Sch. 2 Pts. 1, 2](#))

F143 Words in s. 356(1) substituted (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. 32](#)

F144 Words in s. 356(1) 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. 629\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))

F145 Words in s. 356(2) 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. 629\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))

F146 Words in s. 356(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. 629\(4\)](#) (with [Sch. 2 Pts. 1, 2](#))

Modifications etc. (not altering text)

C15 Ss. 353-368 modified (7.4.2005) by [Finance Act 2005 \(c. 7\), s. 51\(2\)](#)

Changes to legislation: Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

^{F147}CHAPTER 11

OVERSEAS PROPERTY INCOME

Textual Amendments

^{F147} Pt. 3 Ch. 11 omitted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by virtue of Finance Act 2008 (c. 9), [Sch. 7 para. 49](#)

^{F147}357 Charge to tax on overseas property income

.....

^{F147}358 Meaning of “overseas property income”

.....

^{F147}359 Income charged

.....

^{F147}360 Person liable

.....

CHAPTER 12

SUPPLEMENTARY

361 Changes in trustees and personal representatives

- (1) This section applies if there is a change—
 - (a) in the trustees of a trust, or
 - (b) in the personal representatives of a person,at a time when they are carrying on a property business.
- (2) For income tax purposes, the change does not result in—
 - (a) any of the trustees or personal representatives before the change permanently ceasing to carry on the business, or
 - (b) any of the trustees or personal representatives after the change starting to carry on the business.

Modifications etc. (not altering text)

^{C16} Ss. 353-368 modified (7.4.2005) by Finance Act 2005 (c. 7), [s. 51\(2\)](#)

^{F148}362 Effect of company starting or ceasing to be within charge to income tax

.....

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Textual Amendments

F148 S. 362 omitted (6.4.2020) by virtue of [Finance Act 2019 \(c. 1\)](#), [Sch. 5 paras. 8, 35](#) (with [Sch. 5 para. 36](#))

363 Overseas property businesses and overseas land: adaptation of rules

- (1) This section applies if a provision of this Part—
 - (a) applies to an overseas property business or land outside the United Kingdom, but
 - (b) is expressed by reference to a domestic concept of law.
- (2) In relation to that business or land, the provision is to be read so as to produce the result most closely corresponding with that produced by the provision in relation to a UK property business or land in the United Kingdom.

Modifications etc. (not altering text)

C17 Ss. 353-368 modified (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [s. 51\(2\)](#)

364 Meaning of “lease” and “premises”

- (1) In this Part “lease” includes—
 - (a) an agreement for a lease (so far as the context permits), and
 - (b) any tenancy,
 but does not include a mortgage.
- (2) In this Part “premises” includes land.

Modifications etc. (not altering text)

C18 Ss. 353-368 modified (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [s. 51\(2\)](#)

Changes to legislation:

Income Tax (Trading and Other Income) Act 2005, Part 3 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

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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\(7\)\(a\)](#)