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## SCHEDULES

### SCHEDULE 1

#### CONSEQUENTIAL AMENDMENTS

#### PART 2

##### OTHER ENACTMENTS

###### *Finance Act 1950 (c. 15)*

- 353 The Finance Act 1950 is amended as follows.
- 354 In section 40(3) (modification of section 39 in case of recoveries by assignees and in certain cases of subsidiary companies)—
- (a) omit “by the Special Commissioners under Case VI of Schedule D”, and
  - (b) omit “under that Case”.

###### *Chevening Estate Act 1959 (c. 49)*

- 355 The Chevening Estate Act 1959 is amended as follows.
- 356 (1) Amend section 2 (provisions as to income tax, estate duty and stamp duty) as follows.
- (2) In subsection (1)—
- (a) omit paragraph (a),
  - (b) in paragraph (b) for “Schedule D” substitute “ Part 3 of the Income Tax (Trading and Other Income) Act 2005 ”, and
  - (c) in paragraph (c) for the words from “Schedule C” to “annual payment” substitute “ the provisions of the Income Tax (Trading and Other Income) Act 2005 specified in subsection (1A) in respect of the income chargeable under those provisions ”.
- (3) After subsection (1) insert—
- “(1A) The provisions are—
- (a) Chapter 2 of Part 4 (interest) so far as the income is yearly interest or public revenue dividends (as defined in section 505(1A) of the Income and Corporation Taxes Act 1988),
  - (b) Chapter 7 of that Part (purchased life annuity payments),
  - (c) Chapter 10 of that Part (distributions from unauthorised unit trusts),
  - (d) Chapter 13 of that Part (sales of foreign dividend coupons) so far as the income arises from foreign holdings within section 571(1)(a) (meaning of “foreign holdings” in that Chapter),
  - (e) Chapter 2 of Part 5, so far as it relates to annual payments (receipts from intellectual property),

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- (f) Chapter 4 of that Part, so far as it relates to annual payments (certain telecommunication rights: non-trading income), and
- (g) Chapter 7 of that Part (annual payments not otherwise charged).”

*Taxes Management Act 1970 (c. 9)*

- 357 The Taxes Management Act 1970 is amended as follows.
- 358 (1) Amend section 7 (notice of liability to income tax and capital gains tax) as follows.
- (2) In subsection (6)—
- (a) in paragraph (c) for “Schedule F” substitute “ Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.) ”, and
  - (b) for “Schedule F”, in the second place where it occurs, substitute “ dividend ”.
- (3) In subsection (9) in each of paragraphs (a) and (aa) for “Chapter II of Part XIII of the principal Act” substitute “ Chapter 9 of Part 4 of ITTOIA 2005 ”.
- 359 In section 8(1AA)(b) (personal returns) for “section 231 of the principal Act” substitute “ section 397(1) of ITTOIA 2005 ”.
- 360 In section 8A(1AA)(b) (trustee’s returns) for “section 231 of the principal Act” substitute “ section 397(1) of ITTOIA 2005 ”.
- 361 In section 9(1) (returns to include self-assessment)—
- (a) in paragraph (b) for “section 231 of the principal Act” substitute “ section 397(1) of ITTOIA 2005 ”,
  - (b) omit “233(1),” and “ , 249(4), 421(1) or 547(5)”, and
  - (c) for “or section 626 of ITEPA 2003” substitute “ , section 626 of ITEPA 2003 or section 399(2), 400(2), 414(1), 421(1) or 530(1) of ITTOIA 2005 ”.
- 362 Omit section 9D (choice between different Cases of Schedule D).
- 363 In section 12AA(1A)(b) (partnership returns) for “section 231 of the principal Act” substitute “ section 397(1) of ITTOIA 2005 ”.
- 364 In section 12AB(5) (partnership return to include partnership statement) in the definition of “tax credit” after “applies” insert “ in the case of corporation tax and section 397(1) of ITTOIA 2005 applies in the case of income tax ”.
- 365 In section 12AE(2) (choice between different Cases of Schedule D) omit paragraph (a).
- 366 (1) Amend section 18 (interest paid without deduction of income tax) as follows.
- (2) In subsection (3E)(b) for “relevant” substitute “ deeply ”.
- (3) For subsection (3F) substitute—
- “(3F) In subsection (3E)(b) above “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 430 of that Act).”
- 367 (1) Amend section 19 (information for purposes of Schedule A) as follows.
- (2) In subsection (1) after “profits or gains chargeable to tax” insert “ under Chapter 3 of Part 3 of ITTOIA 2005 as the profits of a UK property business or ”.

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- (3) In the side-note after “for purposes of” insert “ charge on profits of UK property businesses or under ”.
- 368 In section 27(2) (settled property) for “section 660G(1) and (2) of the principal Act” substitute “ section 620 of ITTOIA 2005 ”.
- 369 In section 30 (recovery of overpayment of tax, etc.) omit subsection (4).
- 370 In section 30A(2) (assessing procedure) for “Schedule” substitute “ Part or Chapter of ITEPA 2003 or ITTOIA 2005 ”.
- 371 In section 31(3) (appeals: right of appeal) omit “9D or”.
- 372 In section 42(7) (procedure for making claims etc.) omit the “and” before paragraph (d) and after that paragraph insert “and  
(e) sections 111(1), 126(2), 129(2), 143, 185, 194 and 326 of ITTOIA 2005.”

F1373 .....

**Textual Amendments**

**F1** Sch. 1 paras. 373-375 omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 443**

F1374 .....

**Textual Amendments**

**F1** Sch. 1 paras. 373-375 omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 443**

F1375 .....

**Textual Amendments**

**F1** Sch. 1 paras. 373-375 omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 443**

- 376 In section 59A(8)(b) (payments on account of income tax) for “section 231 of the principal Act” substitute “ section 397(1) of ITTOIA 2005 ”.
- 377 (1) Amend section 59B (payment of income tax and capital gains tax) as follows.
- (2) In subsection (1)—
- (a) omit “233(1),” and “, 249(4), 421(1) or 547(5)”, and
- (b) for “or section 626 of ITEPA 2003” substitute “, section 626 of ITEPA 2003 or section 399(2), 400(2), 414(1), 421(1) or 530(1) of ITTOIA 2005 ”.
- (3) In subsection (2)(b) (payment of income tax and capital gains tax) for “section 231 of that Act” substitute “ section 397(1) of ITTOIA 2005 ”.

F2378 .....

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### Textual Amendments

**F2** Sch. 1 para. 378 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

- 379 (1) Amend section 98 (special returns, etc) as follows.
- (2) In subsection (4DA)(c) for “section 98 of the Finance Act 2004” substitute “section 758 of ITTOIA 2005”.
- (3) In the first column of the Table—
- omit the entry relating to regulations under section 326C of ICTA,
  - omit the entry relating to section 660F of ICTA, and
  - at the end insert—
 

“Section 75(5) of ITTOIA 2005.

Section 128 of ITTOIA 2005

Section 305 of ITTOIA 2005.

Section 647 of ITTOIA 2005.

Regulations under Chapter 3 of Part 6 of ITTOIA 2005.”
- (4) In the second column of the Table—
- omit the entry relating to regulations under section 326C of ICTA, and
  - at the end insert—
 

“Section 75(4) of ITTOIA 2005.

Regulations under Chapter 3 of Part 6 of ITTOIA 2005.”
- 380 In section 118(1) (interpretation) after the definition of “ITEPA 2003” insert—
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005.”.
- 381 In Schedule 1A (claims etc. not included in returns), in paragraph 10(b), for “(administration of estates)” substitute “(administration of estates: corporation tax) or Chapter 6 of Part 5 of ITTOIA 2005 (administration of estates: income tax)”.
- 382 (1) Amend Schedule 1B (claims for relief involving two or more years) as follows.
- (2) In paragraph 1—
- in sub-paragraph (2) for the words from “are any of the following” to “and the same” substitute “is a claim to which this Schedule applies and the same”, and
  - in sub-paragraph (3) for “includes—” to the end substitute “includes a reference to amendments and revocations to which paragraph 4 below applies.”
- (3) In paragraph 3(1)—
- for “a trade of farming or market gardening claims that subsection (2) or (3) of section 96 of the principal Act” substitute “a qualifying trade, profession or vocation (within the meaning of Chapter 16 of Part 2 of ITTOIA 2005) claims that Chapter 16 of Part 2 of ITTOIA 2005”, and

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(b) after “that trade” insert “, profession or vocation”.

(4) In paragraph 4(1)—

(a) in paragraph (a) for “claims that subsection (2) or (3) of section 96 of the principal Act” substitute “claims that Chapter 16 of Part 2 of ITTOIA 2005”, and

(b) in paragraph (b) for “subsection (9) of that section” substitute “section 224(4) of that Act”.

(5) In the italic cross-heading before paragraph 4 for “*section 96(9)*” substitute “*section 224(4) of ITTOIA 2005*”.

(6) In paragraph 5—

(a) in sub-paragraph (1)—

(i) for “section 108 of the principal Act” substitute “section 257 of ITTOIA 2005”, and

(ii) for the words from “the date” to “change of basis took place” substitute “the date of the cessation”, and

(b) in sub-paragraph (5) for “section 105 of the principal Act” substitute “section 254 of ITTOIA 2005”.

F3383 .....

#### Textual Amendments

**F3** Sch. 1 para. 383 omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 443](#)

384 In paragraph 2(4) of Schedule 3A (electronic lodgement of tax returns, etc.) after “ITEPA 2003” insert “ or ITTOIA 2005 ”.

#### *Finance Act 1971 (c. 68)*

385 The Finance Act 1971 is amended as follows.

386 In paragraph 8(2)(b) of Schedule 3 (taxation of refunds of contributions and certain other payments) for “to tax on the amount of the payment under Case VI of Schedule D” substitute “—

(i) to income tax on the full amount of the payment arising in the year of assessment; or

(ii) to corporation tax on the amount of the payment under Case VI of Schedule D”.

#### *Finance Act 1973 (c. 51)*

387 The Finance Act 1973 is amended as follows.

388 In Schedule 15 (territorial extension of charge to tax: supplementary provisions), in paragraphs 2(a) and 4(1), for “or section 830 of the Taxes Act 1988” substitute “, section 830 of the Taxes Act 1988 or section 874 of the Income Tax (Trading and Other Income) Act 2005”.

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*Biological Standards Act 1975 (c. 4)*

F<sup>4</sup>389 .....

**Textual Amendments**

**F4** Sch. 1 para. 389 repealed (1.4.2009) by Health and Social Care Act 2008 (c. 14), s. 170(3)(4), Sch. 15 Pt. 7; S.I. 2009/270, art. 2(2)(b)

F<sup>5</sup>390 .....

**Textual Amendments**

**F5** Sch. 1 para. 390 repealed (1.4.2009) by Health and Social Care Act 2008 (c. 14), s. 170(3)(4), Sch. 15 Pt. 7; S.I. 2009/270, art. 2(2)(b)

*Oil Taxation Act 1975 (c. 22)*

391 The Oil Taxation Act 1975 is amended as follows.

392 In section 3(2) (allowance of expenditure (other than expenditure on long-term assets and abortive exploration expenditure))—

- (a) in the first sentence—
  - (i) after “section 579 of the Taxes Act” insert “ or under section 77 of the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”) ”,
  - (ii) after “under that subsection” insert “ or that section ”, and
  - (iii) omit “less the amount of the rebate recoverable (within the meaning of that subsection)”, and
- (b) in the second sentence—
  - (i) after “section 492 of the Taxes Act” insert “ or by virtue of section 16 of ITTOIA 2005 ”,
  - (ii) after “paragraph (a) or (b) of that subsection” insert “ or within the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 ”, and
  - (iii) after “if that subsection” insert “ or section ”.

*Inheritance Tax Act 1984 (c. 51)*

393 The Inheritance Tax Act 1984 is amended as follows.

394 In section 6(3) (excluded property), in paragraph (e)—

- (a) for “certified contractual savings scheme” substitute “ certified SAYE savings arrangement ”, and
- (b) for “section 326 of the Taxes Act 1988” substitute “ section 703(1) of the Income Tax (Trading and Other Income) Act 2005 ”.

395 In section 21(3) (normal expenditure out of income)—

- (a) for “section 657 of the Taxes Act 1988” substitute “ section 423 of the Income Tax (Trading and Other Income) Act 2005 ”, and

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- (b) for “, for the purposes” to “annuity” substitute “ exempt from income tax under section 717 of that Act ”.
- 396 In section 174(1) (liabilities for which allowance is to be made in determining the value of an estate) in paragraph (b)—
- (a) for “Schedule 13 to the Finance Act 1996 (discounted securities)” substitute “ Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (deeply discounted securities) ”, and
- (b) for “paragraph 4(2) of that Schedule” substitute “ section 437(2) of that Act ”.

*Films Act 1985 (c. 21)*

- 397 The Films Act 1985 is amended as follows.
- 398 In section 6(1) (certification of master negatives, tapes and discs) after “1992” insert “ or Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”.
- 399 (1) Amend Schedule 1 (certification in case of British films) as follows.
- (2) In paragraph 2(1) (applications for certification of master negatives, tapes or discs) after “1992” insert “ , or Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005, ”.
- (3) In paragraph 3(1) (certification by Secretary of State of master negatives, tapes or discs) at the end insert “ or, as the case may be, Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”.

*Finance Act 1988 (c. 39)*

- 400 The Finance Act 1988 is amended as follows.
- 401 (1) Amend section 38 (maintenance payments under existing obligations: 1989-90 onwards) as follows.
- (2) In subsection (1) for paragraph (c) substitute—
- “ (c) is (apart from this section) within a charge to tax under Chapter 7 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (annual payments not otherwise charged) and is not, by virtue of Chapter 5 of that Part (settlements), treated for any purpose as the income of the person making it.”
- (3) In subsection (9) for the words from “65(1)(b)” to “1988” substitute “ 839 of the Income Tax (Trading and Other Income) Act 2005 (annual payments payable out of relevant foreign income) ”.
- 402 In section 73(2) (consideration for certain restrictive undertakings)—
- (a) for “person” substitute “ company ”, and
- (b) for “tax” substitute “ corporation tax ”.
- 403 In Schedule 6 (commercial woodlands) in paragraph 3(2) for “person” substitute “ company ”.
- 404 In Schedule 12 (building societies: change of status) for paragraph 7 substitute—

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*“Certified SAYE savings arrangements*

- 7 Section 702 of the Income Tax (Trading and Other Income) Act 2005 (interest under certified SAYE savings arrangements to be exempt from income tax) shall have effect in relation to any interest (or bonus) payable after the transfer under a savings arrangement which immediately before the transfer was a certified SAYE savings arrangement (within the meaning of section 703(1) of that Act) in relation to the society despite the fact that it ceased to be such an arrangement by reason of the transfer.”

*Water Act 1989 (c. 15)*

- 405 In section 95(11) of the Water Act 1989 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the Income and Corporation Taxes Act 1988” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”.

*Finance Act 1989 (c. 26)*

- 406 The Finance Act 1989 is amended as follows.
- 407 In section 68(2) (principal charges to tax: employee share ownership trusts)—
- (a) in paragraph (a) for “annual profits or gains whose amount” substitute “income of an amount that”, and
  - (b) for paragraph (b) and the word “and” at the end of it substitute—
    - “(b) that income shall be chargeable to income tax for the year of assessment in which the event occurs,
    - (ba) the tax so chargeable shall be charged on the full amount of the income the trustees are treated as receiving in the year of assessment,
    - (bb) the trustees are liable for any tax so chargeable, and”.
- 408 In section 71(4) (further charges to tax: borrowing)—
- (a) in paragraph (a) for “annual profits or gains whose amount” substitute “income of an amount that”, and
  - (b) for paragraph (b) and the word “and” at the end of it substitute—
    - “(b) that income shall be chargeable to income tax for the year of assessment at the end of which the further event occurs,
    - (ba) the tax so chargeable shall be charged on the full amount of the income the trustees are treated as receiving in the year of assessment,
    - (bb) the trustees are liable for any tax so chargeable, and”.
- 409 (1) Amend section 76 (non-approved retirement benefits schemes) as follows.
- (2) In subsection (1) after “Schedule D” insert “ or under Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”.
  - (3) In subsection (4)(a) after “Schedule D” insert “ or under Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”.
  - (4) In subsection (6C)(a) omit “of the Taxes Act 1988”.



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410 Omit sections 112 and 113 (security: trades etc.).

411 F6 .....

**Textual Amendments**

**F6** Sch. 1 para. 411 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

412 In paragraph 1 of Schedule 12 (close companies: administrative provisions)—

(a) omit the word “and” at the end of paragraph (a), and

(b) after paragraph (b) insert—

“(c) section 397 of the Income Tax (Trading and Other Income) Act 2005, and

(d) Chapter 6 of Part 4 of that Act.”

*Electricity Act 1989 (c. 29)*

413 In paragraph 10 of Schedule 11 to the Electricity Act 1989 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the 1988 Act” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”.

*Finance Act 1990 (c. 29)*

414 The Finance Act 1990 is amended as follows.

415 F7 .....

**Textual Amendments**

**F7** Sch. 1 para. 415 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

416 (1) Amend section 126 (pools payments for football ground improvements) as follows.

<sup>F8</sup>(2) .....

<sup>F8</sup>(3) .....

(4) In subsection (4) after “2001” insert “(general rule excluding contributions: income and corporation tax)”.

**Textual Amendments**

**F8** [Sch. 1 para. 416\(2\)\(3\)](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

*Finance Act 1991 (c. 31)*

417 The Finance Act 1991 is amended as follows.

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F9 418 .....

#### Textual Amendments

**F9** Sch. 1 para. 418 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

#### *Social Security Contributions and Benefits Act 1992 (c. 4)*

- 419 The Social Security Contributions and Benefits Act 1992 is amended as follows.
- 420 (1) Amend section 15 (Class 4 contributions recoverable under the Income Tax Acts) as follows.
- (2) In subsection (1)—
- (a) for “annual profits or gains” substitute “ profits ”,
  - (b) omit the “and” at the end of paragraph (a),
  - (c) in paragraph (b) for “are profits or gains chargeable to income tax under Case I or Case II of Schedule D” substitute “ are profits chargeable to income tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”, and
  - (d) at the end of that paragraph insert “and
    - (c) are not profits of a trade, profession or vocation carried on wholly outside the United Kingdom.”
- (3) In subsections (2), (3) and (3A) omit “or gains” in each place where they occur.
- (4) Omit subsection (4).
- 421 In section 16(1) (application of Income Tax Acts and destination of Class 4 contributions) for “Case I or II of Schedule D” substitute “ Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 in respect of the profits of a trade, profession or vocation which is not carried on wholly outside the United Kingdom ”.
- 422 (1) Amend Schedule 2 (levy of Class 4 contributions with income tax) as follows.
- (2) In paragraph 1 after paragraph (a) insert—
- “(ab) “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
- (3) In paragraph 2 for “profits or gains” to the end substitute “profits—
- (a) which are the profits of any relevant trade, profession or vocation which is not carried on wholly outside the United Kingdom, and
  - (b) which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005.”
- (4) In paragraphs 3(1), (4) and (5) and 4 omit “or gains” in each place where they occur.
- (5) In paragraph 5—
- (a) in paragraph (a) omit “or gains”, and
  - (b) in paragraph (b)—
    - (i) for “section 59 of the 1988 Act” substitute “ section 8 of ITTOIA 2005 ”, and

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(ii) omit “or gains”.

(6) In paragraph 7 omit “or gains”.

*Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)*

423 The Social Security Contributions and Benefits (Northern Ireland) Act 1992 is amended as follows.

424 (1) Amend section 15 (Class 4 contributions recoverable under the Income Tax Acts) as follows.

(2) In subsection (1)—

- (a) for “annual profits or gains” substitute “ profits ”,
- (b) omit the “and” at the end of paragraph (a),
- (c) in paragraph (b) for “are profits or gains chargeable to income tax under Case I or Case II of Schedule D” substitute “ are profits chargeable to income tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”, and
- (d) at the end of that paragraph insert “and
  - (c) are not profits of a trade, profession or vocation carried on wholly outside the United Kingdom.”

(3) In subsections (2), (3) and (3A) omit “or gains” in each place where they occur.

(4) Omit subsection (4).

425 (1) Amend Schedule 2 (Schedule 2 to the Social Security Contributions and Benefits Act 1992: levy of Class 4 contributions with income tax) as follows.

(2) In paragraph 1 after paragraph (a) insert—

“(ab) “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.

(3) In paragraph 2 for “profits or gains” to the end substitute “profits—

- (a) which are the profits of any relevant trade, profession or vocation which is not carried on wholly outside the United Kingdom, and
- (b) which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005.”

(4) In paragraphs 3(1), (4) and (5) and 4 omit “or gains” in each place where they occur.

(5) In paragraph 5—

- (a) in paragraph (a) omit “or gains”, and
- (b) in paragraph (b)—
  - (i) for “section 59 of the 1988 Act” substitute “ section 8 of ITTOIA 2005 ”, and
  - (ii) omit “or gains”.

(6) In paragraph 7 omit “or gains”.

*Taxation of Chargeable Gains Act 1992 (c. 12)*

426 The Taxation of Chargeable Gains Act 1992 is amended as follows.

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F10 427 .....

**Textual Amendments**

**F10** Sch. 1 para. 427 omitted (with effect in accordance with Sch. 2 para. 22 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 21(h)**

F11 428 .....

**Textual Amendments**

**F11** Sch. 1 para. 428 omitted (with effect in accordance with Sch. 2 para. 22 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 21(h)**

F12 429 .....

**Textual Amendments**

**F12** Sch. 1 para. 429 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. 79(b)**

430 In section 41(4) (restriction of losses by reference to capital allowances and renewals allowances)—

- (a) in paragraph (b) after “Taxes Act” insert “ or any deduction under section 315 of ITTOIA 2005 ”, and
- (b) in paragraph (c) after “Taxes Act” insert “ or section 170 of ITTOIA 2005 ”.

431 (1) Amend section 59 (partnerships) as follows.

(2) Renumber the existing text as subsection (1).

(3) After that subsection insert—

“(2) Subsection (3) applies if—

- (a) a person resident in the United Kingdom (“the resident partner”) is a member of a partnership which resides outside the United Kingdom or which carries on any trade, profession or business the control and management of which is situated outside the United Kingdom, and
- (b) by virtue of any arrangements falling within section 788 of the Taxes Act (“the arrangements”) any of the capital gains of the partnership are relieved from capital gains tax in the United Kingdom.

(3) The arrangements do not affect any liability to capital gains tax in respect of the resident partner's share of any capital gains of the partnership.”

432 In section 97(7) (supplementary provisions) for “section 660G(1) and (2) of the Taxes Act” substitute “ section 620 of ITTOIA 2005 ”.

433 (1) Amend section 117 (meaning of qualifying corporate bond) as follows.

(2) In subsection (2AA) for “relevant discounted security for the purposes of Schedule 13 to the Finance Act 1996” substitute “ deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 (see section 430) ”.

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- (3) In subsection (6C) for “Schedule 13 to the Finance Act 1996 (relevant discounted securities)” substitute “ Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 433) ”.
- 434 (1) Amend section 142 (capital gains on stock dividends) as follows.
- (2) In subsection (1) for the words from “section 249” to “that section” substitute “ section 410(2), (3) or (4) of ITTOIA 2005 applies ”.
- (3) In subsection (3) for “the appropriate amount in cash (within the meaning of section 251(2) to (4) of the Taxes Act)” substitute “ the cash equivalent of the share capital in accordance with section 412 of ITTOIA 2005 ”.
- 435 After section 148 insert—

#### **“148A Futures and options involving guaranteed returns**

- (1) Profits and gains that are chargeable under Chapter 12 of Part 4 of ITTOIA 2005 are not to be brought into account for the purposes of capital gains tax, except where section 148B applies.
- (2) Where—
- (a) losses are sustained by a person from a disposal, and
  - (b) had profits or gains arisen to the person from the disposal, they would be chargeable under that Chapter,
- the losses are not to be brought into account for the purposes of capital gains tax, except where section 148C applies.

#### **148B Deemed disposals at a gain under section 564(4) of ITTOIA 2005**

- (1) This section deals with how this Act applies where profits or gains arising to a person from such a disposal as is referred to in section 564(4) of ITTOIA 2005 (“the deemed disposal”) are chargeable to tax under Chapter 12 of Part 4 of that Act.
- (2) Amounts taken into account or allowable as deductions in calculating the profits or gains are not to be excluded from any calculation made for the purposes of this Act as a result of section 37 or 39.
- (3) For the purposes of this Act the amount of the consideration for the acquisition by the person of any asset the person disposes of by the future running to delivery or the exercise of the option is increased by the amount of the profits or gains chargeable under Chapter 12 of Part 4 of ITTOIA 2005.
- (4) Any increase made as a result of subsection (3) is to be disregarded in calculating any indexation allowance.
- (5) For the purposes of this Act the amount of the consideration for the acquisition of any asset acquired by the person by means of the future running to delivery or the exercise of the option is increased by the amount of the profits or gains chargeable under Chapter 12 of Part 4 of ITTOIA 2005.
- (6) If the deemed disposal is a disposal of an option by the grantor, for the purposes of subsections (3) to (5) any determination—
- (a) whether profits or gains arose to the grantor from that disposal, and

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(b) of the amount of those profits or gains,  
 is to be made as if the deemed disposal and the disposal by which the option was granted were a single transaction.

(7) Section 565 of ITTOIA 2005 (interpretation of section 564 of that Act) applies for the purposes of this section as it applies for the purposes of section 564 of that Act.

#### **148C Deemed disposals at a loss under section 564(4) of ITTOIA 2005**

(1) This section deals with how this Act applies where a loss sustained by a person from such a disposal as is referred to in section 564(4) of ITTOIA 2005 (“the deemed disposal”) is brought into account for the purposes of section 392 of ICTA (losses).

(2) Amounts taken into account or allowable as deductions in calculating that loss are not to be excluded from any calculation made for the purposes of this Act as a result of section 37 or 39.

(3) If the deemed disposal is a disposal of an option by the grantor, for the purposes of subsections (4) and (5) any determination—

- (a) whether the grantor sustained a loss from that disposal, and
- (b) of the amount of that loss,

is to be made as if the deemed disposal and the disposal by which the option was granted were a single transaction.

(4) If the loss from the deemed disposal equals or is less than—

- (a) the amount of the consideration for the acquisition of any asset acquired by the person sustaining the loss by means of the future running to delivery or the exercise of the option, or
- (b) the amount of the consideration for the acquisition by that person of any asset the person disposes of by the future running to delivery or the exercise of the option,

for the purposes of this Act the amount of that consideration is reduced by the amount of the loss.

(5) If the loss from the deemed disposal exceeds the amount of that consideration—

- (a) that consideration is reduced to nil, and
- (b) an amount equal to the excess is treated for the purposes of this Act as a chargeable gain accruing to the person sustaining the loss on the appropriate occasion.

(6) In a case where the consideration mentioned in subsection (4)(a) is reduced under subsection (5)(a), the appropriate occasion is the first occasion after the acquisition mentioned in subsection (4)(a) when there is a disposal of the asset in question.

(7) In a case where the consideration mentioned in subsection (4)(b) is so reduced, the appropriate occasion is the disposal the person sustaining the loss makes by the future running to delivery or the exercise of the option, as the case may be.

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- (8) In subsection (6) the reference to a disposal of the asset in question includes a reference to anything that would be such a disposal but for section 116(10) or 127.
- (9) In subsections (6) and (7) the references to a disposal include references to a disposal which, in accordance with this Act, would (apart from subsection (5)(b)) be a disposal on which neither a gain nor a loss accrues.
- (10) Section 565 of ITTOIA 2005 (interpretation of section 564) applies for the purposes of this section as it applies for the purposes of section 564.”
- 436 In section 151 (personal equity plans) for subsections (2) and (2A) substitute—
- “(2) The provisions of Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans), except section 694(1) and (2), shall apply in relation to regulations made under subsection (1) as they apply to regulations made under section 694(1), but with the substitution for any reference to income tax of a reference to capital gains tax.”
- 437 In section 151A(6) (venture capital trusts: reliefs) for the words from “in accordance” to the end of the subsection substitute “ as references to shares not acquired within the limit in section 709(4) of ITTOIA 2005; and the question whether shares are acquired within that limit shall be determined as it is for the purposes of Chapter 5 of Part 6 of that Act. ”
- 438 After section 151B insert—

**“151C Strips: manipulation of price: associated payment giving rise to loss**

- (1) This section applies if—
- (a) as a result of any scheme or arrangement which has an unallowable purpose, the circumstances are, or might have been, as mentioned in paragraph (a), (b) or (c) of section 449(2) of ITTOIA 2005,
  - (b) under the scheme or arrangement, a payment falls to be made otherwise than in respect of the acquisition or disposal of a strip, and
  - (c) as a result of that payment or the circumstances in which it is made, a loss accrues to any person.
- (2) The loss shall not be an allowable loss.
- (3) For the purposes of this section a scheme or arrangement has an unallowable purpose if the main benefit, or one of the main benefits that might have been expected to result from, or from any provision of, the scheme or arrangement (apart from section 449 of ITTOIA 2005 and this section) is—
- (a) the obtaining of a tax advantage by any person, or
  - (b) the accrual to any person of an allowable loss.
- (4) The reference in subsection (1)(b) to the acquisition or disposal of a strip shall be construed as if it were in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see, in particular, sections 437 and 445 of that Act for the meaning of “disposal” and “acquisition” and section 444 of that Act for the meaning of “strip”).
- (5) In subsection (3)(a) “tax advantage” has the meaning given by section 709(1) of the Taxes Act.

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- (6) This section applies to losses accruing on or after 17th March 2004.”
- 439 In section 156(4) (assets of Class 1) after “Taxes Act” insert “ or section 19 of ITTOIA 2005 ”.
- 440 In section 198(5)(b) (replacement of business assets used in connection with oil fields) after “the Taxes Act” insert “ or defined as “oil-related activities” in section 16(2) of ITTOIA 2005 ”.
- 441 (1) Amend section 241 (furnished holiday lettings) as follows.
- (2) For subsection (2) substitute—
- “(2) For the purposes of this section as it applies to capital gains tax the “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.
- For the purposes of this section as it applies to corporation tax in respect of chargeable gains the “commercial letting of furnished holiday accommodation” has the meaning given by section 504 of the Taxes Act.”
- (3) In subsection (3)(a) for the words from “Schedule A business” to “Kingdom” substitute “ UK property business (within the meaning of the Taxes Act), or any Schedule A business (within the meaning of that Act), which consists of, or so far as it consists of, the commercial letting of furnished holiday accommodation ”.
- 442 In section 251(8)(b) (general provisions concerning debts) for “relevant discounted security for the purposes of Schedule 13 to that Act if paragraph 3(2)(c) of that Schedule” substitute “ deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 if section 432(2) of that Act ”.
- 443 In section 254(1)(c) (definition of “a qualifying loan” for relief for debts on qualifying corporate bonds) for “relevant” and “Schedule 13 to the Finance Act 1996” substitute respectively “ deeply ” and “ Chapter 8 of Part 4 of ITTOIA 2005 ”.
- 444 After section 261 insert—

*“Know-how*

**261A Disposal of know-how as part of disposal of all or part of a trade**

- (1) This section applies if—
- (a) a person carrying on a trade receives consideration for the disposal of know-how which has been used in the trade, and
  - (b) the know-how is disposed of as part of the disposal of all or part of the trade.
- (2) If, as a result of section 194 of ITTOIA 2005, the consideration is treated for income tax purposes as—
- (a) a capital receipt for goodwill (in relation to the person disposing of the know-how), or
  - (b) a capital payment for goodwill (in relation to the person acquiring the know-how),
- the consideration is treated for capital gains tax purposes in the same way.



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- (3) This section has effect as if it were contained in Chapter 14 of Part 2 of ITTOIA 2005.”
- 445 (1) Amend section 271 (miscellaneous exemptions) as follows.
- (2) In subsection (1)(f) for “section 322 of the Taxes Act” substitute “ section 771 of ITTOIA 2005 ”.
- (3) In subsection (4)—
- (a) for “bonus”, in both places, substitute “ interest ”,
  - (b) for “section 326 or 326A of the Taxes Act (certified contractual savings schemes and tax-exempt special savings accounts)” substitute “ section 702 of ITTOIA 2005 (certified SAYE savings arrangements) ”,
  - (c) for “savings scheme”, in the first place where it occurs, substitute “ savings arrangement ”,
  - (d) for “certified contractual savings scheme” substitute “ certified SAYE savings arrangement ”,
  - (e) for “scheme”, in the last place where it occurs, substitute “ arrangement ”, and
  - (f) at end insert—
- “In this subsection “certified SAYE savings arrangement” has the meaning given by section 703 of ITTOIA 2005.”
- 446 In section 286(3) (connected persons: interpretation) for “Chapter 1A of Part XV of the Taxes Act (see section 660G(1) and (2) of that Act)” substitute “ Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act) ”.
- 447 (1) Amend section 288 (interpretation) as follows.
- (2) In subsection (1) after the definition of “ITEPA 2003” insert—
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
- (3) After subsection (7) insert—
- “(7A) In the application of this Act to Scotland “surrender” includes renunciation.”
- 448 In Schedule A1 (application of taper relief), in paragraph 17(6), for “section 660G(1) and (2) of the Taxes Act” substitute “ section 620 of ITTOIA 2005 ”.
- 449 In Schedule 1 (application of exempt amount and reporting limits in cases involving settled property), in paragraph 2(7), for “section 660G(1) and (2) of the Taxes Act” substitute “ section 620 of ITTOIA 2005 ”.
- 450 In paragraph 13(7)(h) of Schedule 5B (enterprise investment scheme: re-investment)—
- (a) in sub-paragraph (i) after “trade or profession” insert “ carried on wholly or partly in the United Kingdom ”, and
  - (b) in sub-paragraph (ii) for the words from “in computing” to the end substitute “ in calculating for tax purposes the profits of that trade or profession ”.
- 451 (1) Amend Schedule 8 (leases) as follows.

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(2) In paragraph 5—

- <sup>F13</sup>(a) .....
- <sup>F13</sup>(b) .....
- <sup>F13</sup>(c) .....
- (d) for sub-paragraph (5) substitute—

“(5) References in sub-paragraphs (1) and (2) above to a premium include references to—

- (a) a premium deemed to have been received under subsection (4) or (5) of section 34 of the Taxes Act (which correspond to paragraph 3(2) and (3) of this Schedule),
- (b) a sum that becomes payable by the tenant under the terms subject to which a lease is granted in lieu of the whole or a part of the rent for any period,
- (c) a sum that becomes payable by the tenant under the terms subject to which a lease is granted as consideration for the surrender of the lease, and
- (d) a sum that becomes payable by the tenant (otherwise than by way of rent) as consideration for the variation or waiver of any of the terms of a lease.”

(3) In paragraph 6—

- (a) for sub-paragraph (1) substitute—

“(1) If—

- (a) under section 37(4) of the Taxes Act (allowance where, by the grant of a sublease, a lessee has converted a capital amount into a right to income) a person is to be treated as paying additional rent in consequence of having granted a sublease, or
- (b) under section 292 of ITTOIA 2005 a person is to be treated as incurring expenses in consequence of having granted a sublease,

the amount of any loss accruing to the person on the disposal by way of the grant of the sublease shall be reduced by the total amount of rent which the person is thereby treated as paying, or the total amount of expenses which the person is thereby treated as incurring, over the term of the sublease (and without regard to whether relief is thereby effectively given over the term of the sublease), but not so as to convert the loss into a gain, or to increase any gain.”,

- (b) in sub-paragraph (2) at the end insert “ or by virtue of section 282 of ITTOIA 2005 (assignments for profit of lease granted at undervalue) as a receipt of a UK property business (within the meaning of that Act) ”, and
- (c) in sub-paragraph (3) after “that paragraph” insert “ or under section 301 or 302 of ITTOIA 2005 on a claim under that section, ”.

(4) For paragraph 7 substitute—

“7 If—

- (a) under section 34(2) and (3) of the Taxes Act any amount is brought into account by virtue of section 34(2) and (3) of the Taxes Act as

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a receipt of a Schedule A business (within the meaning of that Act) which is or is treated as carried on by any person, or

- (b) under section 277 of ITTOIA 2005 any amount is brought into account by virtue of section 278 of that Act as a receipt of a UK property business (within the meaning of that Act) which is carried on by any person,

that person shall be treated for the purposes of the computation of any gain accruing to him as having incurred at the time the lease was granted expenditure of that amount (in addition to any other expenditure) attributable to the asset under section 38(1)(b).”

- (5) In paragraph 7A after “Schedule A business” insert “ or UK property business ”.

#### Textual Amendments

- F13** Sch. 1 para. 451(2)(a)(b)(c) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

#### *Finance (No. 2) Act 1992 (c. 48)*

- 452 The Finance (No. 2) Act 1992 is amended as follows.
- 453 (1) Amend section 40A (revenue nature of expenditure on master versions of films) as follows.
- (2) In subsection (1)—
- (a) for “the purposes of the Tax Acts” substitute “ corporation tax purposes ”, and
- (b) after “section 40D below” insert “ or section 143 of ITTOIA 2005 (corresponding income tax provision) ”.
- (3) In subsection (2) for “the purposes of the Tax Acts” substitute “ corporation tax purposes ”.
- (4) In the definition of “expenditure of a revenue nature” in subsection (4)(a) after “chargeable to” insert “ corporation ”.
- 454 (1) Amend section 40B (allocation of expenditure to periods) as follows.
- (2) In subsection (1) for “person” substitute “ company within the charge to corporation tax ”.
- (3) In subsection (2) after “section 40D below” insert “ or section 143 of ITTOIA 2005 ”.
- (4) In subsection (3)(b) for “up for a period—” to the end substitute “ up for a period, the accounting period of the company. ”
- (5) In subsection (6) for “made—” to the end substitute “ made not later than two years after the end of the relevant period to which the claim relates. ”
- (6) In subsection (7)(b) at the end insert “ or section 135 of ITTOIA 2005 (income tax provision corresponding to this section) ”.
- 455 In section 40C(1) (cases where section 40B does not apply) after “section 42 below” insert “ or under any of sections 138 to 140 of ITTOIA 2005 (corresponding income tax provisions) ”.

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- 456 (1) Amend section 40D (election for sections 40A and 40B not to apply) as follows.
- (2) In subsection (1)(a) after “this section” insert “ or under section 143 of ITTOIA 2005 ”.
- (3) In subsection (2)(a)(i) for “a person who carries” substitute “ a company within the charge to corporation tax carrying ”.
- (4) In subsection (4) for “given—” to the end substitute “ given not later than two years after the end of the relevant period in which the master version of the film is completed. ”
- (5) In subsection (7) at the end insert “ or any of that expenditure is deducted under any of sections 137 to 140 of ITTOIA 2005 (corresponding income tax provisions) ”.
- 457 (1) Amend section 41 (relief for preliminary expenditure) as follows.
- (2) In subsection (1)—
- (a) for “tax purposes”, in the first place where it occurs, substitute “ the purposes of corporation tax ”,
  - (b) for “a person” substitute “ a company within the charge to corporation tax ”,
  - (c) for “that person” substitute “ the company ”,
  - (d) for “him” substitute “ it ”, and
  - (e) after “section 40D above” insert “ or section 143 of ITTOIA 2005 ”.
- (3) In subsection (6) for “made—” to the end substitute “ made not later than two years after the end of the relevant period in which the expenditure to which it relates becomes payable. ”
- (4) In subsection (7)—
- (a) after “this section” insert “ or section 137 of ITTOIA 2005 (corresponding income tax provision) ”, and
  - (b) for “tax purposes” substitute “ the purposes of corporation tax ”.
- 458 (1) Amend section 42 (relief for production or acquisition expenditure) as follows.
- (2) In subsection (1)—
- (a) for “tax purposes” substitute “ the purposes of corporation tax ”,
  - (b) for “a person” substitute “ a company ”,
  - (c) for “that person” substitute “ the company ”,
  - (d) after “section 40B above” insert “ or section 135 of ITTOIA 2005 ”, and
  - (e) after “section 40D above” insert “ or section 143 of ITTOIA 2005 ”.
- (3) In subsection (4)—
- (a) in paragraph (b) after “section 41 above” insert “ or section 137 of ITTOIA 2005 ”,
  - (b) in paragraph (c) after “this section” insert “ or any provision of Chapter 9 of Part 2 of ITTOIA 2005 ”.
- (4) In subsection (6) for “shall be made—” to the end substitute “—
- (a) shall be made not later than two years after the end of the relevant period to which the claim relates, and
  - (b) shall be irrevocable.”
- (5) In subsection (7) after “section 40B above” insert “ or section 135 of ITTOIA 2005 ”.

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459 In section 43(1) after the definition of “expenditure of a revenue nature” insert—  
““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005.”.

460 Omit section 59 (furnished accommodation).

461 Omit Schedule 10 (furnished accommodation).

*Finance Act 1993 (c. 34)*

462 The Finance Act 1993 is amended as follows.

463 In section 112(7) (employers' pension contributions) in the definition of “basis period” after “Schedule D” insert “ or under Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”.

464 (1) Amend section 171 (Lloyd's underwriters etc: taxation of income tax profits) as follows.

(2) In subsection (2) for paragraphs (a) and (b) substitute—

“(a) the aggregate of those profits shall be chargeable to tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 as the profits of a trade carried on in the United Kingdom; and

(b) accordingly, no part of those profits shall be treated as relevant foreign income, or be charged to tax under any other Part of that Act or any Part of the Income Tax (Earnings and Pensions) Act 2003;”.

(3) In subsection (2B) for “section 231(1) of the Taxes Act 1988” substitute “ section 397(1) of the Income Tax (Trading and Other Income) Act 2005 ”.

465 In paragraph 13(4) of Schedule 19 (Lloyd's underwriters etc: repayment of tax deducted etc. from investment income) after “others” insert “ and section 749 of the Income Tax (Trading and Other Income) Act 2005 (exemption of interest paid under repayment supplements) so far as it relates to interest paid under section 824 of the Taxes Act 1988 ”.

466 (1) Amend Schedule 20A (Lloyd's underwriters: conversion to limited liability underwriting) as follows.

(2) In paragraph 2(2) for “Schedule D” substitute “ Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”.

(3) In paragraph 7(2) for “Schedule D” substitute “ Part 2 of the Income Tax (Trading and Other Income) Act 2005 ”.

*Pension Schemes Act 1993 (c. 48)*

467 The Pension Schemes Act 1993 is amended as follows.

468 In section 158(4) (disclosure of information between government departments etc.)

(a) after “carrying on or have carried on” insert “ wholly or partly in the United Kingdom ”, and

(b) after “chargeable to tax under” insert “ Part 2 of the Income Tax (Trading and Other Income) Act 2005 or ”.

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*Pension Schemes (Northern Ireland) Act 1993 (c. 49)*

- 469 The Pension Schemes (Northern Ireland) Act 1993 is amended as follows.
- 470 In section 154(4) (disclosure of information between government departments etc.)
- 
- (a) after “carrying on or have carried on” insert “ wholly or partly in the United Kingdom ”, and
  - (b) after “chargeable to tax under” insert “ Part 2 of the Income Tax (Trading and Other Income) Act 2005 or ”.

*Finance Act 1994 (c. 9)*

- 471 The Finance Act 1994 is amended as follows.
- 472 (1) Amend Schedule 20 (changes for facilitating self-assessment: transitional provisions and savings) as follows.
- (2) Omit paragraphs 1 to 10.
- (3) In paragraph 11—
- (a) in sub-paragraph (1) omit “Subject to paragraph 12(2) below,”,
  - (b) in sub-paragraph (3) for “under Case VI of Schedule D” substitute “ to income tax ”, and
  - (c) in sub-paragraph (3) at the end insert “ , and the person shall be liable for any tax so chargeable ”.
- (4) Omit paragraphs 12 and 13.
- 473 In paragraph 26 of Schedule 24 (vesting in successor company of the British Railways Board of liability for loans to that Board not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the Taxes Act 1988” substitute “ section 755 of the Income Tax (Trading and Other Income) Act 2005 ”.

*Coal Industry Act 1994 (c. 21)*

- 474 In paragraph 17(1) of Schedule 4 to the Coal Industry Act 1994 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the 1988 Act” substitute “ section 755 of the Income Tax (Trading and Other Income) Act 2005 ”.

*Finance Act 1995 (c. 4)*

- 475 The Finance Act 1995 is amended as follows.
- 476 Omit section 56 (foreign life policies etc).
- 477 In section 73(1)(a) (venture capital trusts: regulations) after “1992” insert “ or Chapter 5 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 ”.
- 478 In section 123 (prevention of exploitation of transitional provisions) for “2(2) and (4), 4(2) and 6(2)(a) and (4) of Schedule 20 to the Finance Act 1994” substitute “ 52 and 53 of Schedule 2 to the Income Tax (Trading and Other Income) Act 2005 ”.
- 479 (1) Amend section 126 (UK representatives of non-residents) as follows.

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(2) In subsections (6) and (7) for “the deemed trade or profession from which the non-resident's share in the partnership's profits or losses is treated for the purposes of section 111 or 114 of the Taxes Act 1988 as deriving” substitute “ the notional or deemed trade or profession ”.

(3) After subsection (7) insert—

“(7A) In subsections (6) and (7) “the notional or deemed trade or profession” means—

- (a) the notional trade from which the non-resident's share in the partnership's profits or losses is treated for the purposes of section 852 of the Income Tax (Trading and Other Income) Act 2005 as deriving, or
- (b) the deemed trade or profession from which that share is treated for the purposes of section 114 of the Taxes Act as deriving.”

480 F14 .....

**Textual Amendments**

**F14** Sch. 1 para. 480 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

481 F15 .....

**Textual Amendments**

**F15** Sch. 1 para. 481 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

482 In section 157(7) (certificates of tax deposit) for “Case III of Schedule D” substitute “ Chapter 2 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (interest) ”.

483 In paragraph 3(4) of Schedule 18 (deceased persons' estates) after “Schedule)” insert “ and sections 652, 660 and 665 of the Income Tax (Trading and Other Income) Act 2005 ”.

484 (1) Amend Schedule 22 (prevention of exploitation of transitional provisions to facilitate self-assessment) as follows.

(2) Omit paragraph 2.

(3) In paragraph 3—

- (a) in sub-paragraph (1)(a) for “paragraph 2(4) of Schedule 20 to the Finance Act 1994” substitute “ paragraph 52 of Schedule 2 to the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”) ”,
- (b) in sub-paragraph (2) for “the said paragraph 2(4)” substitute “ paragraph 52 of that Schedule ”,
- (c) in sub-paragraph (4), in the definition of “the transitional overlap period”, after “1996-97” insert “ (determined in accordance with paragraph 1 of Schedule 20 to the Finance Act 1994 despite the repeal by ITTOIA 2005 of that paragraph) ” and after “that year” insert “ (as so determined) ”, and

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- (d) in sub-paragraph (4), in the definition of “the transitional overlap profit”, for “the said paragraph 2(4)” substitute “ paragraph 52(2) of Schedule 2 to ITTOIA 2005 ”.
- (4) Omit paragraph 4.
- (5) In paragraph 5—
  - (a) in sub-paragraph (1) for “paragraph 2(4) of Schedule 20 to the Finance Act 1994” substitute “ paragraph 52 of Schedule 2 to ITTOIA 2005 ”,
  - (b) in sub-paragraph (3) for “the said paragraph 2(4)” substitute “ paragraph 52 of Schedule 2 to ITTOIA 2005 ”, and
  - (c) in sub-paragraph (5), in the definition of “the transitional overlap profit”, for “the said paragraph 2(4)” substitute “ paragraph 52(2) of Schedule 2 to ITTOIA 2005 ”.
- (6) Omit paragraph 6.
- (7) In paragraph 7—
  - (a) in sub-paragraph (1) for “paragraph 6(4) of Schedule 20 to the Finance Act 1994” substitute “ paragraph 53 of Schedule 2 to ITTOIA 2005 ”,
  - (b) in sub-paragraph (2) for “the said paragraph 6(4)” substitute “ paragraph 53 of that Schedule ”,
  - (c) in sub-paragraph (4), in the definition of “the transitional overlap period”, after “1996-97” insert “ (determined in accordance with paragraph 1 of Schedule 20 to the Finance Act 1994 despite the repeal by ITTOIA 2005 of that paragraph) ” and after “that year” insert “ (as so determined) ”, and
  - (d) in sub-paragraph (4), in the definition of “the transitional overlap profit”, for “the said paragraph 6(4)” substitute “ paragraph 53(3) of Schedule 2 to ITTOIA 2005 ”.
- (8) Omit paragraphs 8 to 10.
- (9) In paragraph 14(1) for “paragraphs 1, 3, 6 and 7” substitute “ paragraphs 1, 3 and 7 ”.
- (10) In paragraph 15(1) for “paragraphs 1, 3, 6 and 7” substitute “ paragraphs 1, 3 and 7 ”.
- (11) Omit paragraphs 18 to 20.
- (12) In the heading for “SCHEDULE 20 TO FINANCE ACT 1994” substitute “ SCHEDULE 2 TO ITTOIA 2005 (SO FAR AS RELATING TO OVERLAP PROFIT) ”.

*Finance Act 1996 (c. 8)*

485 The Finance Act 1996 is amended as follows.

F16 486 .....

**Textual Amendments**

**F16** Sch. 1 para. 486 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

487 Omit section 102 (discounted securities: income tax provisions).



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F17 488 .....

**Textual Amendments**

**F17** Sch. 1 para. 488 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F18 489 .....

**Textual Amendments**

**F18** Sch. 1 para. 489 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

490 Omit Schedule 13 (discounted securities: income tax provisions).

491 (1) Amend Schedule 15 (loan relationships: savings and transitional provisions) as follows.

(2) In paragraph 26(2) for the definition of “relevant discounted security” substitute—

““deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430)”.

(3) In paragraph 28(b) for “Schedule 13 to this Act” and “relevant” substitute respectively “ Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities) ” and “ deeply ”.

(4) In paragraph 30(1)(c) for “relevant” substitute “ deeply ”.

*Finance Act 1997 (c. 16)*

492 The Finance Act 1997 is amended as follows.

F19 493 .....

**Textual Amendments**

**F19** Sch. 1 para. 493 omitted (with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 14 para. 17(n)**

494 (1) Amend Schedule 12 (leasing arrangements: finance leases and loans) as follows.

(2) In paragraph 11—

(a) in sub-paragraph (9) after “1992” insert “ or section 135, 138, 139 or 140 of ITTOIA 2005 ”,

(b) in sub-paragraph (10)(b) after “1992” insert “ or section 134(2) of ITTOIA 2005 ”,

F20 (c) .....

F20 (d) .....

(3) In paragraph 30—

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- (a) in sub-paragraph (1) before the definition of “lease” insert—
  - ““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”, and
- (b) in sub-paragraph (2)(b) for “Case I or II of Schedule D” substitute “ Part 2 of ITTOIA 2005 ”.

**Textual Amendments**

**F20** Sch. 1 para. 494(2)(c)(d) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Finance Act (No.2) 1997 (c. 58)*

- 495 The Finance (No.2) Act 1997 is amended as follows.
- 496 In section 30 (tax credits)—
  - (a) in subsection (9) after “above” insert “ and rewritten in section 397(3) of the Income Tax (Trading and Other Income) Act 2005 ”, and
  - (b) in subsection (10)(a) for “section 231 of the Taxes Act 1988” substitute “ section 397 of the Income Tax (Trading and Other Income) Act 2005 ”.
- 497 In section 37(7) (interest to be paid gross) for “sections 722A(5) and 730C(9), and in paragraph 3A(2)(a) of Schedule 23A, (which all” substitute “ section 722A(5), and in paragraph 3A(2)(a) of Schedule 23A, (which ”.
- 498 In section 48(1) (relief for expenditure on production or acquisition of films) after “, section 41 above or this section” insert “ or by virtue of any provision of Chapter 9 of Part 2 of ITTOIA 2005 ”.

*Finance Act 1998 (c. 39)*

499 The Finance Act 1998 is amended as follows.

<sup>F21</sup>500 .....

**Textual Amendments**

**F21** Sch. 1 para. 500 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

501 Omit section 43 (barristers and advocates in early years of practice).

<sup>F22</sup>502 .....

**Textual Amendments**

**F22** Sch. 1 para. 502 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

503 In section 76(3) (power to make regulations for non-UK residents who have made investments under individual investment plans to be treated as UK resident for the

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purpose of tax credits) for “section 333 of the Taxes Act 1988” substitute “Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005”.

- 504 In section 123(7)—
- (a) for “both” substitute “more”,
  - (b) in paragraph (a) for the words from “(regulations” onwards substitute “(investment plan regulations)”, and
  - (c) at the end of paragraph (b) add “and  
(c) Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 (income from individual investment plans)”.

*Finance Act 1999 (c. 16)*

505 The Finance Act 1999 is amended as follows.

<sup>F23</sup>506 .....

**Textual Amendments**

**F23** Sch. 1 para. 506 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

- 507 (1) Amend section 65 (relevant discounted securities) as follows.
- (2) Omit subsections (1) to (6).
  - (3) In subsection (8) for “subsections (1) to (7) above have” substitute “subsection (7) above has”.
  - (4) In subsections (9) and (10) for “subsections (1) to (7)”, “have effect” and “do not affect” substitute “subsection (7)”, “has effect” and “does not affect” respectively.
  - (5) In subsections (11) and (12) for “subsections (1) to (7) above have” substitute “subsection (7) above has”.

508 In section 85(7)(b) (advance pricing agreements etc.) after “Taxes Act 1988” insert “or section 16(1) of the Income Tax (Trading and Other Income) Act 2005”.

<sup>F24</sup>509 .....

**Textual Amendments**

**F24** Sch. 1 para. 509 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

*Commonwealth Development Corporation Act 1999 (c. 20)*

- 510 (1) Amend paragraph 6 of Schedule 3 to the Commonwealth Development Corporation Act 1999 (distributions by the Commonwealth Development Corporation) as follows.

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- (2) In sub-paragraph (2)(b) after “section 231 of that Act” insert “ or section 397 of the Income Tax (Trading and Other Income) Act 2005 (tax credits for qualifying distributions: UK residents and eligible non-UK residents) ”.
- (3) In sub-paragraph (3) for “corporation tax and income tax” substitute “ income tax as dividends of a non-UK resident company chargeable under Chapter 4 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (and accordingly as relevant foreign income for the purposes of that Act), and for the purposes of corporation tax ”.
- (4) Omit sub-paragraph (4).

*Finance Act 2000 (c. 17)*

511 The Finance Act 2000 is amended as follows.

512 (1) Amend section 44 (gifts to charity from certain trusts) as follows.

(2) Omit subsections (1) to (3).

(3) In subsection (4)—

- (a) for “UK trust” substitute “ trust the trustees of which are resident in the United Kingdom (a “UK trust”) ”, and
- (b) for “subsection (1) above” substitute “ section 628(1) or 630(1) of ITTOIA 2005 ”.

(4) For subsection (5) substitute—

“(5) In this section—

“qualifying income” has the same meaning as in section 628 of ITTOIA 2005; and

“resident”, in relation to the trustees of a trust, shall be construed in accordance with section 110 of the Finance Act 1989.”

513 Omit section 45 (loans to charities).

514 (1) Amend section 46 (exemption for small trades etc.) as follows.

(2) In subsection (1) for the words from the beginning to “shall be granted,” substitute—

“(1) Subject to subsections (2) and (2A) below, exemption—

(a) from income tax—

- (i) under Part 2 of ITTOIA 2005 in respect of a trade carried on wholly or partly in the United Kingdom, or
- (ii) under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies, or

(b) from corporation tax under Case I or VI of Schedule D,

shall be granted”.

(3) For subsection (2) substitute—

“(2) Exemption shall not be granted under subsection (1) above in respect of income which is chargeable to—

- (a) income tax under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies, or

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(b) corporation tax under Case VI of Schedule D,  
by virtue of any of the provisions mentioned in subsection (2A).

(2A) The provisions are—

- (a) sections 214, 547(1)(b), 703, 776, 788, 790 or 804 of the Taxes Act 1988;
- (b) paragraph 52(4) of Schedule 18 to the Finance Act 1998;
- (c) Chapter 9 of Part 4, and Chapter 5 of Part 5, of ITTOIA 2005; and
- (d) any other enactment specified in an order made by the Treasury.”

(4) In subsection (6), in the definition of “income”—

(a) after “means” insert “—

(a) any profits or other income or gains —

- (i) which are chargeable to income tax under Part 2 of ITTOIA 2005 in respect of a trade carried on wholly or partly in the United Kingdom, or
- (ii) which are chargeable to income tax under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies,

and which (in either case) are not, apart from this section, exempted from income tax chargeable under or by virtue of that Part or provision, or

(b) ”,

(b) after “chargeable to” insert “ corporation ”.

- 515 Omit section 84 (exemption of payments under New Deal 50plus).
- 516 Omit section 85 (exemption of payments under Employment Zones programmes).
- 517 Omit section 87 (treatment of certain telecommunication rights).
- 518 In section 143(2) (power to provide incentives to use electronic communications) for “purposes of the Tax Acts” substitute “ corporation tax purposes ”.
- 519 In section 155 (interpretation) at the end insert “ and “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005 ”.

F25 520 .....

#### Textual Amendments

**F25** Sch. 1 para. 520 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

- 521 In Schedule 15 (the corporate venturing scheme), in paragraph 99(3), for “Chapter 1A of Part XV of the Taxes Act 1988 (see section 660G(1) and (2))” substitute “ Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act) ”.
- 522 In Schedule 22 (tonnage tax), in paragraph 144(3), for “Chapter 1A of Part XV of the Taxes Act 1988 (see section 660G(1) and (2) of that Act)” substitute “ Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act) ”.
- 523 Omit Schedule 23 (treatment of certain telecommunication rights).

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*Capital Allowances Act 2001 (c. 2)*

- 524 The Capital Allowances Act 2001 is amended as follows.
- 525 In section 4 (capital expenditure) for subsection (5) substitute—
- “(5) Subsection (4) does not apply to any expenditure or sum in the case of which a deduction of income tax falls or may fall to be so made as a result of section 595(2) of ITTOIA 2005 or section 524(3)(b) of ICTA (receipts from sale of patent rights by person not resident in the UK: income and corporation tax).”
- 526 (1) Amend section 15 (qualifying activities) as follows.
- (2) In subsection (1)—
- (a) in paragraph (b) for “Schedule A” substitute “property”,
- (b) in paragraph (f) after “listed in” insert “section 12(4) of ITTOIA 2005 or”.
- (3) In subsection (3)(a) for “Schedule A” substitute “property”.
- 527 (1) Amend section 16 (ordinary Schedule A businesses) as follows.
- (2) For ““ordinary Schedule A” substitute ““ordinary property””.
- (3) For “means a Schedule A business” substitute “means a UK property business, or a Schedule A business,”.
- (4) In the side-note for “Schedule A” substitute “property”.
- 528 (1) Amend section 17 (furnished holiday lettings businesses) as follows.
- (2) In subsection (1) for “a Schedule A business in so far” to the end substitute “a UK property business, or a Schedule A business, which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation”.
- (3) For subsection (3) substitute—
- “(3) For the purposes of income tax the “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.
- For the purposes of corporation tax the “commercial letting of furnished holiday accommodation” has the meaning given by section 504 of ICTA.”
- 529 In section 20(1) (employments and offices) for “section 314 of ICTA” substitute “section 15 of ITTOIA 2005”.
- 530 In section 23(2) (expenditure unaffected by sections 21 and 22) before “40D” insert “143 of ITTOIA 2005 or section”.
- 531 In section 28(2) (thermal insulation of industrial buildings) for “Schedule A” substitute “property”.
- 532 In section 33(8)(b) (personal security) for “Schedule A” substitute “property”.
- 533 In section 35(1)(a) (expenditure on plant or machinery for use in dwelling-house not qualifying expenditure in certain cases) for “Schedule A” substitute “property”.
- 534 In section 38(a) (production of animals etc)—
- (a) after “to which” insert “section 30 or Chapter 8 of Part 2 of ITTOIA 2005 or”, and

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- (b) after “purposes of” insert “ Part 2 of ITTOIA 2005 or ”,
- 535 (1) Amend section 63 (cases in which disposal value is nil) as follows.
- (2) In subsection (2)(c) after “within the meaning of” insert “ section 110 of ITTOIA 2005 or ”.
- (3) In subsection (3)(b) for “Schedule A” substitute “ property ”.
- (4) In subsection (4) after “to be read with” insert “ section 109 of ITTOIA 2005 and ”.
- 536 (1) Amend section 106 (the designated period) as follows.
- (2) In subsection (3)(b) for the words from “the qualifying activity” to the end substitute “—
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
- (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies).”
- (3) Omit subsection (4).
- 537 (1) Amend section 108 (effect of disposal to connected person on overseas leasing pool) as follows.
- (2) In subsection (1) for paragraph (b) and the word “and” at the end of that paragraph substitute—
- “(b) the disposal is one on the occasion of which—
- (i) there was a change in the persons carrying on the qualifying activity which involved all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
- (ii) the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”.
- (3) Omit subsection (4).
- 538 (1) Amend section 112 (excess allowances: connected persons) as follows.
- (2) In subsection (1) for paragraph (b) and the word “and” at the end of that paragraph substitute—
- “(b) the transaction (or each of the transactions) is one—
- (i) which involved all of the persons carrying on the qualifying activity before the transaction permanently ceasing to carry it on, or
- (ii) in respect of which the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”.

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- (3) Omit subsection (5).
- 539 (1) Amend section 115 (prohibited allowances: connected persons) as follows.
- (2) In subsection (1) for paragraph (c) and the word “and” at the end of that paragraph substitute—
- “(c) the transaction (or each of the transactions) is one—
- (i) which involved all of the persons carrying on the qualifying activity before the transaction permanently ceasing to carry it on, or
- (ii) in respect of which the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”.
- (3) Omit subsection (3).
- 540 (1) Amend section 122 (short-term leasing by buyer, lessee etc) as follows.
- (2) In subsection (2) for paragraph (c) substitute—
- “(c) a person who acquired the plant or machinery from X as a result of a disposal on the occasion of which, or two or more disposals on the occasion of each of which—
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
- (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies);”.
- (3) Omit subsection (3).
- 541 (1) Amend section 125 (other qualifying purposes) as follows.
- (2) In subsection (3) for paragraph (c) substitute—
- “(c) a person who acquired the plant or machinery from X as a result of a disposal on the occasion of which, or two or more disposals on the occasion of each of which—
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
- (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies).”
- (3) Omit subsection (5).
- 542 In section 154(3) (further registration requirement) for paragraph (b) substitute—



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- “(b) the only changes in the persons carrying it on between the time that B does so and the time that A or a person connected with A does so are changes—
- (i) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or
  - (ii) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 543 In section 155(1) (changes in the persons carrying on qualifying activity) for paragraph (b) substitute—
- “(b) the only changes in the persons carrying on the qualifying activity since the shipowner carried it on are changes—
- (i) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or
  - (ii) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 544 In section 156 (connected persons) for subsection (2) substitute—
- “(2) The condition is that the only changes in the persons carrying on the qualifying activity since A carried it on are changes—
- (a) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or
  - (b) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 545 In section 162(2) (ring fence trade a separate qualifying activity)—
- (a) in paragraph (a), after “fall within” insert “ the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within ”, and
  - (b) in paragraph (b), after “as a result of” insert “ section 16(1) of ITTOIA 2005 or ”.
- 546 In section 248 (ordinary Schedule A businesses)—
- (a) for “Schedule A” substitute “ property ”, and
  - (b) in the side-note for “Schedule A” substitute “ property ”.
- 547 In section 252 (mines, transport undertakings etc)—
- (a) after “is a concern listed in” insert “ section 12(4) of ITTOIA 2005 or ”, and
  - (b) after “the profits of the concern under” insert “ Chapter 2 of Part 2 of ITTOIA 2005 or, as the case may be, under ”.
- 548 In section 258(4) (special leasing: income tax) for “taxed under Case VI of Schedule D” substitute “ assessed to income tax ”.
- 549 (1) Amend section 263 (qualifying activities carried on in partnership) as follows.
- (2) In subsection (1) for paragraph (c) substitute—
- “ (c) the following condition is met.”
- (3) After that subsection insert—
- “(1A) The condition is that—
- (a) the change does not involve all of the partners permanently ceasing to carry on the qualifying activity, or

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- (b) the change does not result in the qualifying activity being treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”

550 (1) Amend section 265 (successions: general) as follows.

- (2) In subsection (1) for paragraph (b) substitute—  
“(b) the following condition is met.”

(3) After that subsection insert—

“(1A) The condition is that—

- (a) all of the persons carrying on the qualifying activity before the succession permanently cease to carry it on, or
- (b) the qualifying activity is treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”

551 In 268(1) (successions by beneficiaries) for paragraph (b) and the word “and” at the end of that paragraph substitute—

- “(b) all of the persons carrying on the qualifying activity before the succession permanently cease to carry it on, and”.

F26 552 .....

**Textual Amendments**  
**F26** Sch. 1 paras. 552-558 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 27 para. 26

F26 553 .....

**Textual Amendments**  
**F26** Sch. 1 paras. 552-558 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 27 para. 26

F26 554 .....

**Textual Amendments**  
**F26** Sch. 1 paras. 552-558 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 27 para. 26

F26 555 .....

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**Textual Amendments**

**F26** Sch. 1 paras. 552-558 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 27 para. 26

F26 556 .....

**Textual Amendments**

**F26** Sch. 1 paras. 552-558 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 27 para. 26

F26 557 .....

**Textual Amendments**

**F26** Sch. 1 paras. 552-558 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 27 para. 26

F26 558 .....

**Textual Amendments**

**F26** Sch. 1 paras. 552-558 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 27 para. 26

559 In section 393B(4) (meaning of “qualifying expenditure”) after “the profits of a” insert “ UK property business or ”

560 (1) Amend section 393T (giving effect to allowances and charges) as follows.

(2) In subsection (2) for “a Schedule A business” substitute “ a UK property business, or a Schedule A business, ”.

(3) After that subsection insert—

“(2A) If the person is within the charge to income tax in respect of the allowance or charge and his interest in the flat is not an asset of a UK property business carried on by him at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on a UK property business in that period and as if—

- (a) the allowance were an expense of that business, and
- (b) the charge were a receipt of that business.”

(4) In subsection (3)—

- (a) for “the person's” substitute “ the person is a company within the charge to corporation tax in respect of the allowance or charge and its ”,
- (b) for “him”, in both places where it occurs, substitute “ the company ”, and
- (c) for “he” substitute “ it ”.

561 (1) Amend section 406 (reduction where premium relief previously allowed) as follows.

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- (2) In subsection (1) for “section 87 of ICTA” substitute “ sections 60 to 67 of ITTOIA 2005 or under sections 87 and 87A of ICTA ”.
- (3) In subsection (2) for “section 87 of ICTA” substitute “ sections 60 to 67 of ITTOIA 2005 or under sections 87 and 87A of ICTA ”.
- 562 In section 454(1)(c) (qualifying expenditure) after “an election under” insert “ section 194 of ITTOIA 2005 or under ”.
- 563 In section 455(4) (excluded expenditure) after “goodwill under” insert “ section 194(3) of ITTOIA 2005 or under ”.
- 564 In section 462(3) (disposal values) after “goodwill under” insert “ section 194(2) of ITTOIA 2005 or under ”.
- 565 In section 479(4) (persons having qualifying non-trade expenditure: income tax) for “taxed under Case VI of Schedule D” substitute “ assessed to income tax ”.
- 566 In section 481(5)(b) (anti-avoidance: limit on qualifying expenditure) after “in accordance with section” insert “ 587 of ITTOIA 2005 or section ”.
- 567 In section 483(c) (meaning of “income from patents”) after “payable under” insert “ section 587, 593 or 594 of ITTOIA 2005 or under ”.
- 568 In section 488(3)(a) (balancing allowances) for “section 113(1)” to “to trade etc.)” substitute “ section 18 of ITTOIA 2005 or section 337(1) of ICTA (effect of company ceasing to trade etc.) ”.
- 569 (1) Amend section 529 (giving effect to allowances and charges) as follows.
- (2) In subsection (1) for “a Schedule A business” substitute “ a UK property business, or a Schedule A business, ”.
- (3) After that subsection insert—
- “(1A) If the person entitled or liable to an allowance or charge for a chargeable period is within the charge to income tax in respect of the allowance or charge and he was not carrying on a UK property business at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on such a business in that period and as if—
- (a) the allowance were an expense of that business, and
- (b) the charge were a receipt of that business.”
- (4) In subsection (2)—
- (a) for the words from the beginning to “chargeable period” substitute “ If the person entitled or liable to an allowance or charge for a chargeable period is a company within the charge to corporation tax in respect of the allowance or charge and it ”,
- (b) for “him” substitute “ the company ”, and
- (c) for “he” substitute “ it ”.
- 570 In section 536(5)(a) (contributions not made by public bodies and not eligible for tax relief)—
- (a) in sub-paragraph (i) for “Schedule A” substitute “ property ”, and
- (b) in sub-paragraph (v) after “listed in” insert “ section 12(4) of ITTOIA 2005 or ”.

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- 571 In section 558(1)(c) (effect of partnership changes) for the words from “result in” to the end substitute “—
- (i) involve all of the persons carrying on the relevant activity before the change permanently ceasing to carry it on, or
  - (ii) result in the relevant activity being treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”
- 572 (1) Amend section 559 (effect of successions) as follows.
- (2) In subsection (1) for paragraph (b) substitute—
- “(b) the following condition is met.”
- (3) After that subsection insert—
- “(1A) The condition is that—
- (a) all of the persons carrying on the relevant activity before the succession permanently cease to carry it on, or
  - (b) the relevant activity is treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”
- 573 In section 577(1) (definitions) in the definition of “property business” after “means” insert “ a UK property business, ”.
- 574 (1) Amend Schedule 1 (abbreviations and defined expressions) as follows.
- (2) In Part 1 in the appropriate place insert—

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“ITTOIA 2005	The Income Tax (Trading and Other Income) Act 2005”.
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- (3) In Part 2—
- (a) in the entry for “ordinary Schedule A business” for “Schedule A” substitute “ property ”,
  - (b) in the entry for “overseas property business” for “65A(4), 70A(4) and 832(1) of ICTA” substitute “ 70A(4) and 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005 ”, and
  - (c) in the appropriate place insert—

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“UK property business	section 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005”.
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*Finance Act 2002 (c. 23)*

575 The Finance Act 2002 is amended as follows.

<sup>F27</sup>576 .....

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#### Textual Amendments

**F27** Sch. 1 para. 576 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

- 577 (1) Amend Schedule 16 (community investment tax relief) as follows.
- (2) In paragraph 27(2) omit “under Case VI of Schedule D”.
- (3) In paragraph 50(3), for “Chapter 1A of Part 15 of the Taxes Act 1988 (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (see section 620 of that Act)”.

**F28** 578 .....

#### Textual Amendments

**F28** Sch. 1 para. 578 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

- 579 (1) Amend paragraph 64 of Schedule 25 (transitional provisions concerning loan relationships in the case of authorised unit trusts and open-ended investment companies) as follows.
- (2) At the beginning of sub-paragraph (7) insert “Subject to sub-paragraph (9),”.
- (3) After sub-paragraph (8) insert—
- “(9) So far as sub-paragraphs (3) to (6) are capable of applying at any time after 5th April 2005—
- (a) they have effect as if any reference in them to a relevant discounted security were a reference to a security that is a deeply discounted security for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities) (see 430 of that Act), and
- (b) in those sub-paragraphs—
- “redeem” means make a disposal, within the meaning of that Chapter (except by a transfer within the meaning of that Chapter), or convert as mentioned in section 437(1)(c) of that Act, and
- “transfer” has the same meaning as in that Chapter.”

580 In Schedule 29 (gains and losses of a company from intangible fixed assets), in paragraph 101(3), for “Chapter 1A of Part 15 of the Taxes Act 1988 (settlements: liability of settlor) (see section 660G(1) and (2) of that Act)” substitute “Chapter 5 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (see section 620 of that Act)”.

#### *Proceeds of Crime Act 2002 (c. 29)*

581 The Proceeds of Crime Act 2002 is amended as follows.

582 In section 319(2) (source of income) for “Case 6 of Schedule D” substitute “Chapter 8 of Part 5 of the Income Tax (Trading and Other Income) Act 2005”.

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- 583 (1) Amend Schedule 10 (tax) as follows.
- (2) In paragraph 2(7) (introductory) at the end insert “, and “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005 ”.
- (3) In paragraph 5 (relevant discounted securities)—
- (a) for “relevant” substitute “deeply”, and
  - (b) for the words from “Schedule 13” to “c.8)” and “that Schedule” substitute respectively “Chapter 8 of Part 4 of ITTOIA 2005 ” and “that Chapter ”.
- (4) In paragraph 6 (rights to receive amounts stated in certificates of deposit etc.)—
- (a) after “deposit etc.)” insert “, or a right falling within the definition of “deposit rights” in section 552(1) of ITTOIA 2005 ”, and
  - (b) for the words “of that Act”, in the second place where they occur, substitute “of the Taxes Act 1988 or Chapter 11 of Part 4 of ITTOIA 2005 ”.
- (5) In paragraph 8 (futures and options)—
- (a) for “paragraph 4 of Schedule 5AA to the Taxes Act 1988” substitute “section 562 of ITTOIA 2005 ”, and
  - (b) for “that Schedule” substitute “Chapter 12 of Part 4 of that Act ”.
- F<sup>29</sup>(6) .....

#### Textual Amendments

**F29** Sch. 1 para. 583(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. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

#### *Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

- 584 The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.
- 585 In section 6(5) (exception to charge to tax on employment income for income of divers and diving supervisors) for the words from “Case I” to “ICTA” substitute “Part 2 of ITTOIA 2005 (trading income) by virtue of section 15 of that Act ”.
- 586 In section 61(1) (application of provisions to workers under arrangements made by intermediaries: interpretation) in the definition of “business” after “includes a” insert “UK property business or”.
- 587 In section 178 (exception for loans where interest qualifies for tax relief)—
- (a) in paragraph (c)—
    - (i) for “under Case I or II of Schedule D” substitute “to tax”, and
    - (ii) after “carried on” insert “wholly or partly in the United Kingdom”, and
  - (b) in paragraph (d) for “under Schedule A in respect of a Schedule A business” substitute “to tax in respect of a UK property business, or a Schedule A business,”.
- 588 In section 180(5) (threshold for benefit of loan to be treated as earnings)—
- (a) in paragraph (c)—
    - (i) for “under Case I or II of Schedule D” substitute “to tax”, and

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- (ii) after “carried on” insert “ wholly or partly in the United Kingdom ”, and
  - (b) in paragraph (d) for “under Schedule A in respect of a Schedule A business” substitute “ to tax in respect of a UK property business, or a Schedule A business, ”.
- 589 In section 189(3)(a) (exception where double charge) for “section 677 of ICTA (sums paid to settlor otherwise than as income)” substitute “ section 633 of ITTOIA 2005 (capital sums paid to settlor by trustees of settlement) ”.
- 590 In section 215 for “section 331(1) of ICTA” substitute “ section 776(1) of ITTOIA 2005 ”.
- 591 In section 302(4) (exemption of consular employees' employment income), in the definition of “reciprocal arrangement”, for “and section 322 of ICTA” substitute “ , sections 646A and 681A of this Act and section 771 of ITTOIA 2005 (relevant foreign income of consular officers and employees) ”.
- 592 After section 325 insert—

#### “325A Health and employment insurance payments

- (1) No liability to income tax in respect of employment income arises on any payment if or to the extent that—
    - (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and
    - (b) it meets conditions A and B.
  - (2) Condition A is that the payments are made—
    - (a) to a person (“the employee”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the employee's benefit, or
    - (b) to the employee's husband or wife.
  - (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.”
- 593 In section 357(2) (business entertainment and gifts: exception where employer's expenses disallowed) after “disallowed under” insert “ section 45 or 867 of ITTOIA 2005 or under ”.
- 594 In Chapter 2 of Part 5, after section 360 insert—

#### “360A Social security contributions

- (1) No deduction from earnings is allowed under this Chapter for any contribution paid by any person under Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992.
- (2) But this prohibition does not apply to an employer's contribution (see subsection (3)) which is allowable as a deduction—
  - (a) under section 336 (the general rule),
  - (b) under any of sections 337 to 342 (travel expenses), or



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- (c) under section 351(1) (expenses of ministers of religion).
- (3) For this purpose “an employer’s contribution” means—
- (a) a secondary Class 1 contribution,
  - (b) a Class 1A contribution, or
  - (c) a Class 1B contribution,
- within the meaning of Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992.”
- 595 In section 394(2) (charge on benefit to which Chapter 2 of Part 6 applies) for “to tax under Case VI of Schedule D” substitute “ to income tax ”.
- 596 In section 397(1) (certain lump sums: calculation of amount taxed by virtue of section 394) for “Case VI of Schedule D” substitute “ subsection (2) of that section ”.
- 597 In section 399(1)(b) (employment-related loans: interest treated as paid) omit “under Case VI of Schedule D”.
- 598 In section 476 (charge on occurrence of chargeable event) for subsection (5) substitute—
- “(5) If the employee has been divested of the employment-related securities option by operation of law—
- (a) income tax is charged on the amount determined under section 478, and
  - (b) the person liable for any tax so charged is the relevant person in relation to the chargeable event (see section 477(7)).”
- 599 In section 477(7) (chargeable events) for “(charge under Case VI of Schedule D)” substitute “ (charge to income tax) ”.
- 600 (1) Amend section 493 (no charge on acquisition of dividend shares) as follows.
- (2) Omit subsections (1), (2) and (4).
- (3) After subsection (3) insert—
- “(3A) For the exemption of such amounts from income tax, see section 770 of ITTOIA 2005 (amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”
- 601 For section 496 (no charge on cash dividend retained for reinvestment) substitute—
- “496 No charge on cash dividend retained for reinvestment**
- For the exemption from income tax of amounts retained under paragraph 68(2) of Schedule 2 (amount of cash dividend not reinvested), see section 770 of ITTOIA 2005 (amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”
- 602 In section 497(3) (limitations on charges on shares ceasing to be subject to plan) for the words from “as” to the end substitute “ under Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.) as a result of section 394(2) or 407(2) of that Act (distribution or dividend payment when dividend shares cease to be subject to plan). ”

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- 603 In section 502(4)(a) (meaning of “capital receipt” in section 501) at the end insert “ or section 770 of ITTOIA 2005 (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment) ”.
- 604 (1) Amend section 515 (tax advantages and charges under other Acts) as follows.
- (2) In subsection (1) omit paragraph (a).
- (3) In subsection (2) omit “and” at the end of paragraph (a).
- (4) In subsection (2) at the end of paragraph (b) insert “, and
- (c) sections 392 to 395 and 405 to 408 of ITTOIA 2005 (SIPs: special rules for charges under Chapters 3 and 4 of Part 4 of that Act (dividends etc. from UK or non-UK resident companies etc.)) and section 770 of that Act (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”
- 605 In section 516(4) (approved SAYE option schemes), in the definition of “SAYE option scheme”, for “approved savings schemes” substitute “ approved savings arrangements ”.
- 606 (1) Amend section 575 (taxable pension income: foreign pensions) as follows.
- (2) In subsection (1) for the words “the amount” onwards substitute “ the full amount of the pension income arising in the tax year, but subject to subsections (2) and (3). ”
- (3) For subsection (2) substitute—
- “(2) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount, unless as a result of subsection (3) the pension income is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (3) That pension income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs).
- (4) But if that pension income arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a).
- (5) See also Chapter 4 of that Part (unremittable income).”
- 607 (1) Amend section 613 (taxable pension income: foreign annuities) as follows.
- (2) In subsection (2) for the words “the amount” onwards substitute “ the full amount of the annuity arising in the tax year, but subject to subsections (3) and (4). ”
- (3) For subsections (3) and (4) substitute—
- “(3) The full amount of the annuity arising in the tax year is to be calculated on the basis that the annuity is 90% of its actual amount, unless as a result of subsection (4) the annuity is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (4) The annuity is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs).

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- (5) But if the annuity arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a).
- (6) See also Chapter 4 of that Part (unremittable income).”
- 608 (1) Amend section 631 (taxable pension income: pre-1973 pensions paid under the Overseas Pensions Act 1973) as follows.
- (2) In subsection (1) for the words “the amount” onwards substitute “ the full amount of the pension income arising in the tax year ”.
- (3) For subsection (2) substitute—
- “(2) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount.
- (3) The pension income is treated as relevant foreign income for the purposes of section 838 of that Act (expenses attributable to collection or payment of relevant foreign income).”
- 609 (1) Amend section 635 (taxable pension income: foreign voluntary annual payments) as follows.
- (2) In subsection (2) for the words “the amount” onwards substitute “ the full amount of the pension income arising in the tax year, but subject to subsections (3) and (4) ”.
- (3) For subsection (3) substitute—
- “(3) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount, unless as a result of subsection (4) the pension income is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (4) That pension income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs).
- (5) But if that pension income arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a).
- (6) See also Chapter 4 of that Part (unremittable income).”
- 610 After section 644 insert—

#### “644A Health and employment insurance payments

- (1) No liability to income tax arises in respect of a pension or annuity payment if or to the extent that—
- (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and
- (b) it meets conditions A and B.

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- (2) Condition A is that the payments are made—
  - (a) to a person (“the pensioner”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the pensioner's benefit, or
  - (b) to the pensioner's husband or wife.
- (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.”

611 After section 646 insert—

**“646A Foreign pensions of consular employees**

- (1) No liability to income tax arises in respect of foreign pension income of a consular officer or employee in the United Kingdom for a foreign state if—
  - (a) Her Majesty by Order in Council directs that this section applies to the foreign state for the purpose of giving effect to a reciprocal arrangement with that state, and
  - (b) the officer or employee meets conditions A to C.
- (2) Condition A is that the officer or employee is not—
  - (a) a British citizen,
  - (b) a British overseas territories citizen,
  - (c) a British National (Overseas), or
  - (d) a British Overseas citizen.
- (3) Condition B is that the officer or employee is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as a consular officer or employee of the state in question.
- (4) Condition C is that the officer or employee—
  - (a) is a permanent employee of that state, or
  - (b) was not ordinarily resident in the United Kingdom immediately before becoming a consular officer or employee in the United Kingdom of that state.
- (5) In this section—
  - “consular officer or employee” includes any person employed for the purposes of the official business of a consular officer at—
    - (a) any consulate,
    - (b) any consular establishment, or
    - (c) any other premises used for those purposes,
  - “foreign pension income” means—
    - (a) income to which section 573 or 629 applies, and
    - (b) income arising from a source outside the United Kingdom to which section 609, 610, 611 or 633 applies; and
  - “reciprocal agreement” has the same meaning as in section 302.
- (6) Section 302(5) to (7) apply to an Order under subsection (1) and the operation of this section as they apply to an Order under section 302(1) and the operation of section 302.”

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612 In section 655(2) (structure of Part 10) for the entries relating to sections 84 and 85 of FA 2000 substitute—

“section 781 of ITTOIA 2005 (exemption from income tax for payments under New Deal 50plus);

section 782 of ITTOIA 2005 (exemption from income tax for payments under employment zone programmes).”

613 (1) Amend section 679 (taxable social security income: foreign benefits) as follows.

(2) In subsection (1) for the words “the amount” onwards substitute “ the full amount of the social security income arising in the tax year, but subject to subsection (2). ”

(3) For subsection (2) substitute—

“(2) That income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of ITTOIA 2005 (relevant foreign income: remittance basis and deductions and reliefs).

(3) See also Chapter 4 of that Part (unremittable income).”

614 After section 681 insert—

**“681A Foreign benefits of consular employees**

(1) No liability to income tax arises in respect of any benefit to which section 678 applies of a consular officer or employee in the United Kingdom for a foreign state if—

- (a) Her Majesty by Order in Council directs that this section applies to the foreign state for the purpose of giving effect to a reciprocal arrangement with that state, and
- (b) the officer or employee meets conditions A to C.

(2) Condition A is that the officer or employee is not—

- (a) a British citizen,
- (b) a British overseas territories citizen,
- (c) a British National (Overseas), or
- (d) a British Overseas citizen.

(3) Condition B is that the officer or employee is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as a consular officer or employee of the state in question.

(4) Condition C is that the officer or employee—

- (a) is a permanent employee of that state, or
- (b) was not ordinarily resident in the United Kingdom immediately before becoming a consular officer or employee in the United Kingdom of that state.

(5) In this section—

“consular officer or employee” includes any person employed for the purposes of the official business of a consular officer at—

- (a) any consulate,
- (b) any consular establishment, or

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(c) any other premises used for those purposes, and  
“reciprocal agreement” has the same meaning as in section 302.

(6) Section 302(5) to (7) apply to an Order under subsection (1) and the operation of this section as they apply to an Order under section 302(1) and the operation of section 302.”

615 After section 716 (alteration of amounts by Treasury order) insert—

*“Priority rule for certain dividends etc*

**716A Priority rule for dividends etc. of UK resident companies etc.**

Any income, so far as it falls within—

- (a) Part 2, 9 or 10 of this Act, and
- (b) Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.),

is dealt with under Chapter 3 of Part 4 of ITTOIA 2005.”

616 (1) Amend Schedule 1 (abbreviations and defined expressions) as follows.

(2) In Part 1 in the appropriate place insert—

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“ITTOIA 2005	The Income Tax (Trading and Other Income) Act 2005”.
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(3) In Part 2 in the appropriate place insert—

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“UK property business	section 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005”.
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617 (1) Amend Schedule 2 (approved share incentive plans) as follows.

(2) In paragraph 22(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “ Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act) ”.

(3) In paragraph 79(4) for the words from “section 68B(2)” to the end substitute “ Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.) as a result of section 394(2) or 407(2) of that Act (distribution or dividend payment when dividend shares cease to be subject to plan). ”

(4) In paragraph 80(3)(b) (other duties of trustees in relation to tax liabilities) for “Case V of Schedule D or Schedule F” substitute “ Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.) ”.

(5) In paragraph 86(4)(c) at end insert “ that is issued in a case where section 410(2) or (3) of ITTOIA 2005 applies ”.

(6) In paragraph 87(2)(d) for sub-paragraph (ii) substitute—

“(ii) sections 392 to 395 and 405 to 408 of ITTOIA 2005 (SIPs: special rules for charges under Chapters 3 and 4 of Part 4 of that Act (dividends etc. from UK or non-UK resident companies etc.)) and section 770 of that Act (exemption for

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amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”.

- 618 (1) Amend Schedule 3 (approved SAYE option schemes) as follows.
- (2) In paragraph 1(3) for “savings scheme” substitute “ savings arrangement ”.
  - (3) In paragraph 2(1)(b) for “savings schemes” substitute “ savings arrangements ”.
  - (4) In paragraph 14(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “ Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act) ”.
  - (5) In paragraph 23—
    - (a) in the heading (including the Part heading), for “scheme” substitute “ arrangement ”, and
    - (b) for “savings schemes”, in both places where it occurs, substitute “ savings arrangements ”.
  - (6) In paragraph 24(1)—
    - (a) in the heading, for “schemes” substitute “ arrangements ”,
    - (b) for “CCS scheme” substitute “ certified SAYE savings arrangement ”, and
    - (c) for (“the CCS scheme”) substitute “ (“the approved savings arrangement) ”.
  - (7) Omit paragraph 24(2).
  - (8) In paragraph 25—
    - (a) in the heading, for “schemes” substitute “ arrangements ”,
    - (b) in sub-paragraph (1), for “CCS scheme” substitute “ the approved savings arrangement ”, and
    - (c) in sub-paragraph (3)(a), for “CCS schemes linked to approved SAYE option schemes” substitute “ certified SAYE savings arrangements linked to approved SAYE option schemes ”.
  - (9) In paragraph 26—
    - (a) in the heading, for “scheme” substitute “ arrangement ”,
    - (b) in sub-paragraph (1), for “CCS scheme” substitute “ certified SAYE savings arrangement ”, and
    - (c) in sub-paragraph (2), for “scheme” substitute “ arrangement ”.
  - (10) In paragraph 30(3), for “the CCS scheme” substitute “ the approved savings arrangement ”.
  - (11) In paragraph 48(1)—
    - (a) for “certified contractual savings scheme” substitute “ certified SAYE savings arrangement ”, and
    - (b) for “section 326(2) to (6) of ICTA” substitute “ section 703(1) of ITTOIA 2005 ”.
  - (12) In paragraph 49, for “certified contractual savings scheme (CCS scheme)” substitute “ certified SAYE savings arrangement ”.
- 619 In Schedule 4 (approved CSOP schemes), in paragraph 12(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “ Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act) ”.

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- 620 (1) Amend Schedule 5 (enterprise management incentives) as follows.
- (2) In paragraph 27(3)(a), for “under Case I or II of Schedule D” substitute “ as the profits of a trade, profession or vocation carried on wholly or partly in the United Kingdom ”.
- (3) In paragraph 31(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “ Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act) ”.

*Finance Act 2003 (c. 14)*

621 The Finance Act 2003 is amended as follows.

622 F30 .....

**Textual Amendments**  
**F30** Sch. 1 para. 622 repealed (6.4.2007 with effect as stated in [s. 1034\(1\)](#) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [ss. 1031, 1034](#), [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

- 623 Omit section 176 (foster carers).
- 624 (1) Amend Schedule 24 (restriction of deductions for employee benefit contributions) as follows.
- (2) F31 .....
- (3) In paragraph 3(a) for “tax purposes” substitute “ corporation tax purposes ”.
- (4) In paragraph 9(1) omit the definition of “for tax purposes”.

**Textual Amendments**  
**F31** Sch. 1 para. 624(2) repealed (19.7.2007 with effect as stated in [s. 34](#) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [s. 114](#), [Sch. 27 Pt. 2\(5\)](#)

- 625 In Schedule 34 (policies of life insurance etc: miscellaneous amendments), in paragraph 15(1), after “1988” insert “ or Chapter 9 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 ”.
- 626 Omit Schedule 36 (foster carers).

*Courts Act 2003 (c. 39)*

627 In section 101(4)(a) of the Courts Act 2003 (bankruptcy of individuals with rights to receive periodical payments) for “section 329AA of the Income and Corporation Taxes Act 1988” substitute “ section 731 of the Income Tax (Trading and Other Income) Act 2005 ”.

*Child Trust Funds Act 2004 (c. 6)*

628 In section 14(1) of the Child Trust Funds Act 2004 (insurance companies and friendly societies) for “section 333 business” substitute “ plan business ”.



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*Finance Act 2004 (c. 12)*

629 The Finance Act 2004 is amended as follows.

F32 630 .....

**Textual Amendments**

**F32** Sch. 1 para. 630 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

631 Omit section 97 (exemption from income tax for certain interest and royalty payments: introductory).

632 Omit section 98 (exemption from income tax for certain interest and royalty payments).

633 Omit section 99 (permanent establishments and “25% associates”).

634 Omit section 100 (interest payments: exemption notices).

635 F33 .....

**Textual Amendments**

**F33** Sch. 1 para. 635 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, **Sch. 3 Pt. 1** (with transitional provisions and savings in [Sch. 2](#))

636 F34 .....

**Textual Amendments**

**F34** Sch. 1 para. 636 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, **Sch. 3 Pt. 1** (with transitional provisions and savings in [Sch. 2](#))

637 Omit section 103 (special relationships).

638 Omit section 104 (anti-avoidance).

639 Omit section 106 (transitional provision).

640 F35 .....

**Textual Amendments**

**F35** Sch. 1 para. 640-643 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, **Sch. 3 Pt. 1** (with transitional provisions and savings in [Sch. 2](#))

641 F36 .....

**Textual Amendments**

**F36** Sch. 1 para. 640-643 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, **Sch. 3 Pt. 1** (with transitional provisions and savings in [Sch. 2](#))

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642 F37 .....

**Textual Amendments**  
F37 Sch. 1 para. 640-643 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

643 F38 .....

**Textual Amendments**  
F38 Sch. 1 para. 640-643 repealed (6.4.2007 with effect as stated in s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), ss. 1031, 1034, [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

644 In section 186(1)(b) (scheme investments: income) for “which would” to the end substitute “ which are not relevant foreign income and which would otherwise be chargeable to income tax under Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged). ”

- 645 (1) Amend section 189(2) (meaning of “relevant UK earnings”) as follows.
- (2) In paragraph (b) for “Schedule D” substitute “ Part 2 of ITTOIA 2005 ”.
- (3) For paragraph (c) substitute—  
“ (c) income to which section 833(5B) of ICTA (patent income) applies.”

646 In section 196(2) (relief for employers in respect of contributions paid) after “the purposes of” insert “ Part 2 of ITTOIA 2005 (trading income) or ”.

647 In section 197(10)(a) (spreading relief) after “charged under” insert “ Part 2 of ITTOIA 2005 (trading income) or ”.

F39 648 .....

**Textual Amendments**  
F39 Sch. 1 para. 648 omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(4\)](#)

649 In section 200(a) (no other relief for employers in connection with contributions) after “the purposes of” insert “ Part 2 of ITTOIA 2005 (trading income) or ”.

- 650 (1) Amend section 246 (restriction of deduction for non-contributory provision) as follows.
- (2) In subsection (2)(a) after “the purposes of” insert “ Part 2 of ITTOIA 2005 (trading income) or ”.
- (3) In subsection (3)(a) after “charged under” insert “ Part 2 of ITTOIA 2005 (trading income) or ”.

- 651 (1) Amend section 249 of FA 2004 (amendments of ITEPA 2003) as follows.
- (2) In subsection (3), in subsection (4) of the inserted section 393B—  
(a) for paragraph (a) substitute—

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- “(a) an excepted group life policy as defined in section 480 of ITTOIA 2005,” and
- (b) in paragraph (b) for the words from “condition 1” to the end of the paragraph substitute “—
- (i) condition A in section 481 of that Act would be met if paragraph (a) in that condition referred to the death, in any circumstances or except in specified circumstances, of that individual (rather than the death in any circumstances of each of the individuals insured under the policy) and if the condition did not include paragraph (b), and
- (ii) conditions C and D in that section and conditions A and C in section 482 of that Act are met, or”.
- (3) In subsection (8), in the inserted section 395 of ITEPA 2003, for “Case VI of Schedule D” substitute “ subsection (2) of that section ”.
- 652 In section 280(1) (abbreviations and general index for Part 4) omit the “and” before the definition of “ITEPA 2003” and after that definition insert “and
- “ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005.”
- 653 (1) Amend Schedule 15 (charge to income tax on benefit received by former owner of property) as follows.
- (2) In paragraph 1 (introductory) insert in the appropriate place—
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005;”.
- (3) In paragraph 8 (intangible property comprised in settlement where settlor retains an interest)—
- (a) in sub-paragraph (1)(a)—
- (i) for “section 660A of the Taxes Act 1988” substitute “ section 624 of ITTOIA 2005 ”, and
- (ii) for “Part 15” substitute “ Chapter 5 of Part 5 ”, and
- (b) in sub-paragraph (1)(b) for “subsection (2) of that section” substitute “ section 625(1) of ITTOIA 2005 (settlor's retained interest) ”.
- (4) In paragraph 9(1) (intangible property comprised in settlement where settlor retains an interest), in the definition of “T”—
- (a) in paragraph (a), for “section 547 of the Taxes Act 1988” substitute “ section 461 of ITTOIA 2005 ”,
- (b) in paragraph (b) for “section 660A of that Act” substitute “ section 624 of that Act ”, and
- (c) in paragraph (c) for “that Act” substitute “ the Taxes Act 1988 ”.
- (5) In paragraph 22(3)(b) (election for application of inheritance tax provisions) for “section 660A of the Taxes Act 1988” substitute “ section 624 of ITTOIA 2005 ”.
- 654 In paragraph 1(4) and (6) of Schedule 24, for the words from “(and” to “have” substitute “ has ”.

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655 In paragraph 12 of Schedule 35 (pension schemes etc: minor and consequential amendments) for the words from “for” to the end substitute “for the words from the beginning to “, if the claimant” substitute “Subject to subsection (2) below, section 274 of this Act and sections 192 to 194 of the Finance Act 2004, if the claimant

.”

- 656 (1) Amend Schedule 36 (pension schemes etc: transitional provisions and savings) as follows.
- (2) In paragraph 41(a) (employers' contributions relieved before 6th April 2006) after “the purposes of” insert “ Part 2 of ITTOIA 2005 (trading income) or ”.
- (3) In paragraph 53(2)(b) (benefits taxable under Chapter 2 of Part 6 of ITEPA 2003: contributions taxed pre-commencement) for “to tax under Case VI of Schedule D by virtue of” substitute “ to income tax under subsection (2) of ”.

*Pensions Act 2004 (c. 35)*

657 The Pensions Act 2004 is amended as follows.

658 In Schedule 3 (restricted information held by the Regulator: certain permitted disclosures to facilitate exercise of functions), in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers—

- (a) omit the “or” before paragraph (e), and
- (b) at the end of that paragraph insert “or
  - (f) the Income Tax (Trading and Other Income) Act 2005 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”

659 In Schedule 8 (restricted information held by the Board: certain permitted disclosures to facilitate exercise of functions), in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers—

- (a) omit the “or” before paragraph (e), and
- (b) at the end of that paragraph insert “or
  - (f) the Income Tax (Trading and Other Income) Act 2005 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”

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