



# Income Tax (Trading and Other Income) Act 2005

## 2005 CHAPTER 5

### PART 2

#### TRADING INCOME

#### [<sup>F1</sup>CHAPTER 17A

#### CASH BASIS: ADJUSTMENTS FOR CAPITAL ALLOWANCES

#### *Adjustments on entering cash basis]*

#### **240D Assets not fully paid for**

- (1) This section applies if—
- a person carrying on a trade enters the cash basis for a tax year,
  - at any time before the beginning of the basis period for that tax year the person has [<sup>F1</sup>incurred relevant expenditure, and]
  - not all of the relevant expenditure has actually been paid by the person.

[<sup>F2</sup>(1A) “Relevant expenditure” means expenditure—

- for which a deduction would be allowed in calculating the profits of the trade on the cash basis on the assumption that the expenditure was paid in the tax year, and
  - in respect of which the person has obtained capital allowances under Part 2, 5, 6, 7 or 8 of CAA 2001.]
- (2) If the amount of the relevant expenditure that the person has actually paid exceeds the amount of capital allowances given in respect of the relevant expenditure, the difference is to be deducted in calculating the profits of the trade for the tax year.

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

- (3) If the amount of the relevant expenditure that the person has actually paid is less than the amount of capital allowances given in respect of the relevant expenditure, the difference is to be treated as a receipt in calculating the profits of the trade for the tax year.
- (4) [<sup>F3</sup>Any question as to whether or to what extent expenditure is relevant expenditure, or as to whether or to what extent any capital allowance obtained is in respect of relevant expenditure,] is to be determined on such basis as is just and reasonable in all the circumstances.
- (5) If the amount of capital allowances given [<sup>F4</sup>under Part 2 of CAA 2001] in respect of the relevant expenditure has been reduced under section 205 or 207 of CAA 2001 (reduction where asset provided or used only partly for qualifying activity), the amount of the relevant expenditure that the person has actually paid is to be proportionately reduced for the purposes of this section.

<sup>F5</sup>(6) .....

<b>Textual Amendments</b>	
<b>F1</b>	Words in s. 240D(1)(b) substituted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), <b>Sch. 2 para. 9(2)</b>
<b>F2</b>	S. 240D(1A) inserted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), <b>Sch. 2 para. 9(3)</b>
<b>F3</b>	Words in s. 240D(4) substituted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), <b>Sch. 2 para. 9(4)</b>
<b>F4</b>	Words in s. 240D(5) inserted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), <b>Sch. 2 para. 9(5)</b>
<b>F5</b>	S. 240D(6) omitted (16.11.2017) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of Finance (No. 2) Act 2017 (c. 32), <b>Sch. 2 para. 9(6)</b>

**Changes to legislation:**

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**Changes and effects yet to be applied to :**

- s. 240D(1)(b) words omitted by [2022 c. 3 Sch. 1 para. 17](#)

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

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

- s. 7A-7D inserted by [2022 c. 3 Sch. 1 para. 3](#)
- s. 24A and cross-heading inserted by [2024 c. 3 Sch. 10 para. 2](#)
- s. 25B inserted by [2024 c. 3 Sch. 10 para. 11](#)
- s. 25C inserted by [2024 c. 3 Sch. 10 para. 5](#)
- s. 31E(4) inserted by [2022 c. 3 Sch. 1 para. 7\(3\)](#)
- s. 649(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 11\(2\)](#)
- s. 679(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(5\)\(b\)](#)
- s. 679A(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(6\)\(b\)](#)
- s. 680(1A) inserted by [2023 c. 30 Sch. 2 para. 11\(7\)\(a\)](#)