
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, Cross Heading: Rules restricting deductions. (See end of Document for details)

SCHEDULES

SCHEDULE 4

CASH BASIS FOR SMALL BUSINESSES

PART 1

MAIN PROVISIONS

Rules restricting deductions

- 6 Chapter 4 (trade profits: rules restricting deductions) is amended as follows.
7 After section 32 insert—

“Cash basis accounting

32A Application of Chapter to the cash basis

- (1) The following sections do not apply in calculating the profits of a trade on the cash basis—
section 33 (capital expenditure),
section 35 (bad and doubtful debts),
sections 36 and 37 (unpaid remuneration),
section 43 (employee benefit contributions: profits calculated before end of 9 month period),
sections 48 to 50B (car hire).
- (2) For rules restricting deductions that apply only where profits are calculated on the cash basis, see the following—
section 33A (cash basis: capital expenditure),
section 51A (cash basis: interest payments on loans).”
- 8 After section 33 insert—

“33A Cash basis: capital expenditure

- (1) In calculating the profits of a trade on the cash basis, no deduction is allowed for items of a capital nature, other than expenditure that—
- (a) if it were not allowable as a deduction in calculating the profits of the trade, would be qualifying expenditure within the meaning of Part 2 of CAA 2001 (plant and machinery allowances), and
 - (b) is not expenditure incurred on the provision of a car.

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- (2) In this section “car” has the same meaning as in Part 2 of CAA 2001 (see section 268A of that Act).”
- 9 In section 38 (restriction of deductions in respect of employee benefit contributions), after subsection (2) insert—
- “(2A) In calculating for income tax purposes the profits of a trade on the cash basis, this section has effect as if—
- (a) in subsection (1), the words “or to be made” were omitted, and
 - (b) in subsection (2), the words “or within 9 months from the end of it” were omitted (in both places).”
- 10 Before section 52 (and after the heading “*Interest payments*”) insert—

Cash basis: interest payments on loans

- “51A(1) In calculating the profits of a trade on the cash basis, no deduction is allowed for the interest paid on a loan.
- (2) This is subject to section 57B.”
- 11 (1) Section 55A (expenditure on integral features) is amended as follows.
- (2) The existing provision becomes subsection (1).
- (3) After that subsection insert—
- “(2) But section 33A(3) of CAA 2001 does not apply in calculating the profits of a trade on the cash basis.”

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