
Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. 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](#)

SCHEDULES

SCHEDULE 3

TRADING AND PROPERTY ALLOWANCES

PART 2

CONSEQUENTIAL AMENDMENTS

ITTOIA 2005

- 2 ITTOIA 2005 is amended in accordance with paragraphs 3 to 11.
- 3 In section 1 (overview of Act), before paragraph (a) of subsection (5) insert—
“(za) provision about a trading allowance and property allowance (see Part 6A).”
- 4 In Chapter 2 of Part 2 (trading income: income taxed as trade profits), after section 22 insert—

“Trading allowance

22A Trading allowance

- (1) The rules for calculating the profits of a trade, profession or vocation carried on by an individual are subject to Chapter 1 of Part 6A (trading allowance).
- (2) That Chapter gives relief on relevant income and, where relief is given, disallows most deductions under this Part (see, in particular, sections 783AC, 783AF and 783AI).”
- 5 In Chapter 15 of Part 2 (basis periods), after section 204 insert—

“204A Overlap profit and trading allowance under Chapter 1 of Part 6A

- (1) This section makes provision about the amount of profit treated as arising in an overlap period which falls within the basis period of a trade for two tax years (“tax year A” and “tax year B”) where relief is given under Chapter 1 of Part 6A (trading allowance) in respect of the trade for at least one of those tax years.
- (2) The profit which arises in the overlap period is treated as nil if—
(a) the profits or losses of the trade for tax year A or tax year B (or both) are treated as nil under section 783AF (full relief: trade profits), or
(b) in relation to tax year A or tax year B (or both)—

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. 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](#)

- (i) section 783AI applies in calculating the profits or losses of the trade (partial relief: alternative calculation of trade profits), and
 - (ii) the deductible amount subtracted at step 2 of section 783AI(2) in relation to the trade is greater than or equal to the non-adjusted overlap profit.
- (3) Subsection (6) applies if conditions 1 and 2 are met.
- (4) Condition 1 is that, in relation to either tax year A or tax year B—
- (a) section 783AI applies in calculating the profits or losses of the trade, and
 - (b) the deductible amount subtracted at step 2 of section 783AI(2) in relation to the trade is less than the non-adjusted overlap profit.
- (5) Condition 2 is that neither section 783AF nor section 783AI applies in relation to the trade—
- (a) where condition 1 is met in relation to tax year A, for tax year B, or
 - (b) where condition 1 is met in relation to tax year B, for tax year A.
- (6) The profit which arises in the overlap period is treated as equal to the non-adjusted overlap profit less the deductible amount mentioned in subsection (4)(b).
- (7) Subsection (8) applies if, in relation to each of tax year A and tax year B—
- (a) section 783AI applies in calculating the profits or losses of the trade, and
 - (b) the deductible amount subtracted at step 2 of section 783AI(2) in relation to the trade is less than the non-adjusted overlap profit.
- (8) The profit which arises in the overlap period is treated as equal to the non-adjusted overlap profit less the higher of the following—
- (a) the deductible amount subtracted at step 2 of section 783AI(2) in calculating the profits or losses of the trade for tax year A, and
 - (b) the deductible amount subtracted at step 2 of section 783AI(2) in calculating the profits or losses of the trade for tax year B.
- (9) In this section “non-adjusted overlap profit” means the amount of profit that would arise in the overlap period apart from—
- (a) Chapter 1 of Part 6A, and
 - (b) this section.”
- 6 In section 227A (application of Chapter where cash basis used), after subsection (2) insert—
- “(3) This section is subject to section 227C (application of Chapter where section 227B applies).”
- 7 After section 227A insert—
- “227B Cash basis treatment: full relief under Chapter 1 of Part 6A (trading allowance)**
- (1) Subsection (2) applies if—

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. 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](#)

- (a) an individual carries on a trade in a tax year, and
 - (b) the profits or losses of the trade for the tax year are treated as nil under section 783AF (trade profits: full relief under Chapter 1 of Part 6A) by virtue of the fact that the conditions in section 783AE(2) are met.
- (2) For the purposes of determining if this Chapter applies, an election under section 25A is to be treated as having effect in relation to the trade for the tax year.

227C Application of Chapter where section 227B applies

- (1) This section applies if, as a result of the operation of section 227B, the basis on which profits of a trade are calculated is treated as changed as mentioned in section 227A(1).
- (2) This Chapter applies as if—
 - (a) in sections 232(1) and 233(1), for “the first period of account for which the new basis is adopted” there were substituted “the first tax year for which the profits or losses of the trade are not treated as nil under section 783AF”, and
 - (b) sections 235, 236, 237, 239A and 239B were omitted.
- (3) If there is no tax year after the change of basis for which the profits or losses of the trade are not treated as nil under section 783AF, this Chapter does not apply.”

8 After section 307F (inserted by Schedule 2 to this Act) insert—

“Property allowance

307G Property allowance

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

9 In section 688 (income charged under Chapter 8 of Part 5), before paragraph (a) of subsection (2) insert—

- “(za) Chapter 1 of Part 6A (which gives relief on relevant income which may consist of or include income chargeable under this Chapter: see, in particular, sections 783AB, 783AC, 783AG and 783AJ).”

10 In section 828 (overlap profit), in subsection (3), for “section 204” substitute “sections 204 and 204A”.

11 In Part 2 of Schedule 4 (defined expressions)—

- (a) at the appropriate places insert—

“individual's property allowance (in Chapter 2 of Part 6A)	section 783BD
individual's trading allowance (in Chapter 1 of Part 6A)	section 783AD

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. 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](#)

miscellaneous income (in Chapter 1 of Part 6A)	section 783AB
relevant income (in Chapter 1 of Part 6A)	section 783AC
relevant property business (in Chapter 2 of Part 6A)	section 783BA
relevant property income (in Chapter 2 of Part 6A)	section 783BC
relevant trade (in Chapter 1 of Part 6A)	section 783AA
relievable receipts (in Chapter 2 of Part 6A)	section 783BB”,

- (b) in the entry for “overlap profit”, for “section 204” substitute “ sections 204 and 204A ”.

TIOPA 2010

12

In TIOPA 2010—

- (a) in section 22(8) (credit for foreign tax on overlap profit if credit for that tax already allowed), in the definition of “overlap profit”, for “section 204” substitute “ sections 204 and 204A ”, and
- (b) in section 24(8) (claw-back of relief under section 22(2)), in the definition of “overlap profit”, for “section 204” substitute “ sections 204 and 204A ”.

Changes to legislation:

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2017. Any changes that have already been made by the team appear in the content and are referenced with annotations.

[View outstanding changes](#)

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):

- Sch. A1 para. 8(6)(b) omitted by [2022 c. 3 Sch. 1 para. 32\(b\)](#)
- Sch. A1 para. 8(2) substituted by [2022 c. 3 Sch. 1 para. 32\(a\)](#)