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# SCHEDULES

## SCHEDULE 10

### CALCULATION OF TRADE PROFITS ETC

#### PART 2

#### MINOR AND CONSEQUENTIAL AMENDMENTS

##### CHAPTER 1

##### AMENDMENTS OF ITTOIA 2005

###### *Other amendments of Chapter 3 of Part 2*

- 9 Chapter 3 of Part 2 of ITTOIA 2005 (trade profits: basic rules) is amended as follows.
- 10 Before section 24 insert the following italic heading—
- “Professions and vocations”.*
- 11 Before section 25C (inserted by [paragraph 5](#) of this Schedule) insert —

###### **“25B Excluded trades**

- (1) A trade is an excluded trade in relation to a tax year if the trade meets any of conditions A to G.
- (2) Condition A is that—
  - (a) the person who is or has been carrying on the trade is a firm, and
  - (b) one or more of the persons who have been partners in the firm at any time during the tax year was not an individual at that time.
- (3) Condition B is that the person who is or has been carrying on the trade was a limited liability partnership at any time during the tax year.
- (4) Condition C is that an election under Chapter 8 (trade profits: herd basis rules) has effect in relation to the trade for the tax year.
- (5) Condition D is that a claim under Chapter 16 (claim for averaging of fluctuating profits) has been made in relation to the trade for the tax year.
- (6) Condition E is that, at any time within the period of 7 years ending immediately before the tax year, the person who is or has been carrying on the trade obtained an allowance under Part 3A of CAA 2001 (business premises renovation allowances) in relation to the trade.

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(7) Condition F is that the trade is or was at any time during the tax year a mineral extraction trade within the meaning of Part 5 of CAA 2001 (see section 394(2) of that Act).

(8) Condition G is that—

- (a) at any time before the beginning of the tax year the person who is or has been carrying on the trade obtained an allowance under Part 6 of CAA 2001 (research and development allowances) in respect of qualifying expenditure incurred by the person in relation to the trade, and
- (b) the person owns an asset representing the expenditure.

In this subsection “qualifying expenditure” has the same meaning as in Part 6 of CAA 2001.

(9) The Treasury may by regulations amend this section.

(10) A statutory instrument containing regulations under [subsection \(9\)](#) that restricts the circumstances in which an election may be made under [section 25C](#) may not be made unless a draft of the instrument containing the regulations has been laid before, and approved by a resolution of, the House of Commons.”

12 Before section 27 insert the following italic heading—

*“Rules relating to calculation of profits”.*

13 Before section 30 insert the following italic heading—

*“Animals kept for trade purposes”.*

14 Before section 31 insert the following italic heading—

*“Rules relating to deductions”.*

*Amendments of other provisions*

15 ITTOIA 2005 is amended as follows.

16 Omit section 31C (excluded persons) (but see [paragraph 11](#), which inserts substantially similar provision).

17 In section 32A (application of Chapter 4 of Part 2 to the cash basis), in subsection (2)

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- (a) omit “the following—”, and
- (b) omit the words from “section 51A” to the end.

18 In section 56A (application of Chapter 5 of Part 2 to the cash basis), omit subsection (2).

19 In section 58 (incidental costs of obtaining finance), in subsection (5) omit paragraph (a) (including the “and” at the end).

20 In section 94E (excluded vehicles), in subsection (3)(b), for “25A” substitute “24A”.

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- 21 (1) Section 96A (capital receipts under, or after leaving, cash basis) is amended as follows.
- (2) In subsection (3), for “an election under section 25A (cash basis for trades) has effect” substitute “the cash basis applies”.
- (3) In subsection (3A), in paragraph (b), for the words “for which no election under section 25A had effect” substitute “in which the cash basis did not apply”.
- (4) In subsection (3C)—
- (a) in paragraph (a), for “no election under section 25A has effect” substitute “the cash basis does not apply”;
- (b) in paragraph (b), for “such an election had had effect” substitute “the cash basis did apply”.
- (5) In subsection (3D)—
- (a) in paragraph (a), for “an election under section 25A had effect” substitute “the cash basis applied”;
- (b) in paragraph (c), for “an election under section 25A had not had effect” substitute “the cash basis had not applied”.
- (6) In subsection (3E), in paragraph (a), for “for which no election under section 25A had effect” substitute “in which the cash basis did not apply”.
- 22 Section 96B (section 96A: supplementary provision), in subsection (3)—
- (a) in paragraph (a), for “an election under section 25A has effect” substitute “the cash basis applies”;
- (b) in paragraph (b), for “no such election had effect” substitute “the cash basis did not apply”.
- 23 In section 97A (cash basis: value of trading stock on cessation of trade), in subsection (1)(b), for “an election under section 25A (cash basis for small business) has effect” substitute “the cash basis applies”.
- 24 In section 97B (cash basis: value of work in progress on cessation of profession or vocation), in subsection (1)(b), for “an election under section 25A (cash basis for small business) has effect” substitute “the cash basis applies”.
- 25 In section 227A (application of Chapter 17 of Part 2 where cash basis used), in subsection (1)—
- (a) for paragraph (a) substitute—
- “(a) the cash basis does apply in relation to a trade for a tax year but does not apply in relation to the trade for the following tax year.”
- (b) for paragraph (b) substitute—
- “(b) the cash basis does not apply in relation to a trade for a tax year but does apply in relation to the trade for the following tax year.”
- 26 In section 227B (cash basis treatment: full relief under Chapter 1 of Part 6A (trading allowance)), in subsection (2), for “an election under section 25A is to be treated as having effect” substitute “the cash basis is to be treated as not applying”.
- 27 In section 239A (spreading on leaving cash basis), in subsection (1)—
- (a) in paragraph (a), for “an election under section 25A (cash basis for small businesses) has effect” substitute “the cash basis applies”;

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- (b) in paragraph (b), for “no such election has effect” substitute “the cash basis does not apply”.
- 28 In section 240B (meaning of “entering the cash basis”)—
- (a) in paragraph (a), for “an election under section 25A has effect” substitute “the cash basis applies”;
- (b) in paragraph (b), for “such an election does not have effect” substitute “the cash basis does not apply”.
- 29 In section 246 (basic meaning of “post-cessation receipt”), in subsection (2A), for “an election under section 25A (cash basis for small businesses) has effect” substitute “the cash basis applies”.
- 30 In section 254 (allowable deductions), for subsection (2A) substitute—
- “(2A) If, immediately before the person permanently ceases to carry on the trade, the cash basis applies in relation to the trade, assume for the purposes of subsection (2) that the cash basis applies in relation to the trade.”
- 31 In section 783AE (full relief: introduction), in subsection (3)—
- (a) for paragraph (a) substitute—
- “(a) the cash basis applies for the tax year in relation to one or more of the trades mentioned in subsection (2)(a);”;
- (b) in paragraph (b)—
- (i) for “25A” substitute “25C(1)”;  
(ii) at the end insert “in relation to one or more of the trades mentioned in paragraph (a)”;
- (c) omit paragraphs (c) and (d).
- 32 In section 786 (meaning of “rent-a-room receipts”), in subsection (5), for paragraph (b) substitute—
- “(b) the profits of the trade are required under [section 24A](#) to be calculated on the cash basis.”
- 33 In section 805 (meaning of “qualifying care receipts”), in subsection (4), for paragraph (b) substitute—
- “(b) the profits of the trade are required under [section 24A](#) to be calculated on the cash basis.”
- 34 In section 820 (periods of account not ending on 5 April), in subsection (2), for “an election under section 25A (cash basis for small businesses) has effect in relation to the trade” substitute “the profits of the trade are required under [section 24A](#) to be calculated on the cash basis”.
- 35 In Part 2 of Schedule 4 (index of defined expressions), in the entry for “the cash basis (in Part 2)”, for “section 25A” substitute “[section 24A](#)”.

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## CHAPTER 2

### AMENDMENTS OF OTHER ACTS

#### TMA 1970

- 36 In section 42(7)(e) of TMA 1970 (procedure for making claims etc), for “25A” substitute “25C”.

#### TCGA 1992

- 37 In section 41(9)(a) of TCGA 1992 (restriction of losses by reference to capital allowances and renewals allowances), for the words from “calculating”, in the second place it occurs, to “effect” substitute “be construed in accordance with Part 2 of ITTOIA 2005 (see [section 24A](#) of that Act)”.

#### CAA 2001

- 38 CAA 2001 is amended as follows.
- 39 (1) Section 1A (capital allowances and charges: cash basis) is amended as follows.
- (2) In subsection (9)—
- (a) in paragraph (a), for “an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect” substitute “the cash basis applies”;
- (b) in paragraph (b), for “no such election has effect” substitute “the cash basis did not apply”.
- (3) In subsection (11)—
- (a) before paragraph (a) insert—
- “(za) references to a trade, profession or vocation in relation to which the cash basis applies are to a trade, profession or vocation the profits of which are required by virtue of [section 24A\(1\)](#) of ITTOIA 2005 to be calculated on the cash basis.”;
- (b) in paragraph (a), for the words from “calculating”, in the second place it occurs, to “effect” substitute “doing so in accordance with [section 24A](#) of ITTOIA 2005”.
- 40 In section 4(2ZA)(a) (capital expenditure)—
- (a) for “an election under section 25A of ITTOIA 2005 has effect” substitute “the cash basis applies”;
- (b) at the end insert “(see [section 24A](#) of ITTOIA 2005)”.
- 41 In section 66A(6) (persons leaving cash basis)—
- (a) in paragraph (a), for “an election under section 25A had effect” substitute “the cash basis applied”;
- (b) in paragraph (b), for “such an election does not have effect” substitute “the cash basis does not apply”.
- 42 (1) Section 431D (persons leaving cash basis) is amended as follows.
- (2) In subsection (1)—

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- (a) in paragraph (b), for “an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect” substitute “the cash basis applies”;
  - (b) in paragraph (d), for “an election under section 25A of that Act had not had effect” substitute “the cash basis had not applied”.
- (3) In subsection (4)—
- (a) in paragraph (a), for “an election under section 25A of ITTOIA 2005 had effect” substitute “the cash basis applied”;
  - (b) in paragraph (b), for “such an election does not have effect” substitute “the cash basis does not apply”.
- (4) After subsection (4) insert—
- “(4A) Subsection (11)(za) of section 1A (capital allowances and charges: cash basis) applies for the purposes of this section as it applies for the purposes of that section.”
- 43 (1) Section 462A (persons leaving cash basis) is amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (b), for “an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect” substitute “the cash basis applies”;
  - (b) in paragraph (d), for “an election under section 25A of that Act had not had effect” substitute “the cash basis had not applied”.
- (3) In subsection (5)—
- (a) in paragraph (a), for “an election under section 25A of ITTOIA 2005 had effect” substitute “the cash basis applied”;
  - (b) in paragraph (b), for “such an election does not have effect” substitute “the cash basis does not apply”.
- (4) After subsection (4) insert—
- “(4A) Subsection (11)(za) of section 1A (capital allowances and charges: cash basis) applies for the purposes of this section as it applies for the purposes of that section.”
- 44 (1) Section 477A (persons leaving cash basis) is amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (b), for “an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect” substitute “the cash basis applies”;
  - (b) in paragraph (d), for “an election under section 25A of that Act had not had effect” substitute “the cash basis had not applied”.
- (3) In subsection (5)—
- (a) in paragraph (a), for “an election under section 25A of ITTOIA 2005 had effect” substitute “the cash basis applied”;
  - (b) in paragraph (b), for “such an election does not have effect” substitute “the cash basis does not apply”.
- (4) After subsection (5) insert—

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“(5A) Subsection (11)(za) of section 1A (capital allowances and charges: cash basis) applies for the purposes of this section as it applies for the purposes of that section.”

#### *ITA 2007*

- 45 (1) ITA 2007 is amended as follows—
- (2) In section 64(8) (deduction of losses from general income), omit paragraph (bb).
  - (3) In section 72(5) (relief for individuals for losses in first 4 years of trade), omit paragraph (bb).

#### *Consequential repeals*

- 46 In consequence of the repeals made by this Schedule, omit the following provisions (which insert or amend provisions repealed by this Schedule)—
- (a) in Part 1 of Schedule 4 to FA 2013, paragraphs 3, 4, 10, 14, 15 and 39(3),
  - (b) in Part 2 of that Schedule, paragraphs 44 and 54, and
  - (c) paragraph 6 of Chapter 3A of Part 1 of Schedule 1 to FA 2022.

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

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

- Sch. 9 para. 132(1) Sch. 9 para. 132 renumbered as Sch. 9 para. 132(1) by [S.I. 2024/356 reg. 4\(23\)\(a\)](#)
- Sch. 9 para. 125(1)(c) and word inserted by [S.I. 2024/356 reg. 4\(3\)\(b\)](#)
- Sch. 9 para. 125(3A) inserted by [S.I. 2024/356 reg. 4\(6\)](#)
- Sch. 9 para. 126(1)(c) inserted by [S.I. 2024/356 reg. 4\(9\)\(c\)](#)
- Sch. 9 para. 126(3A) inserted by [S.I. 2024/356 reg. 4\(10\)](#)
- Sch. 9 para. 127A and cross-heading inserted by [S.I. 2024/356 reg. 4\(12\)](#)
- Sch. 9 para. 128(6)(a)(zi) inserted by [S.I. 2024/356 reg. 4\(13\)](#)
- Sch. 9 para. 129(1)(c)(d) inserted by [S.I. 2024/356 reg. 4\(15\)\(b\)](#)
- Sch. 9 para. 129(2)(c) and word inserted by [S.I. 2024/356 reg. 4\(16\)\(b\)](#)
- Sch. 9 para. 130A and cross-heading inserted by [S.I. 2024/356 reg. 4\(21\)](#)
- Sch. 9 para. 132(2)-(5) inserted by [S.I. 2024/356 reg. 4\(23\)\(c\)](#)
- Sch. 9 para. 132A and cross-heading inserted by [S.I. 2024/356 reg. 4\(24\)](#)
- Sch. 9 para. 132(1) words inserted by [S.I. 2024/356 reg. 4\(23\)\(b\)](#)