

2017 No. 293

INCOME TAX

The Income Tax (Relevant Maximum for Calculating Trade Profits on the Cash Basis) Order 2017

<i>Made</i>	- - - -	<i>7th March 2017</i>
<i>Laid before the House of Commons</i>		<i>8th March 2017</i>
<i>Coming into force</i>	- -	<i>6th April 2017</i>

The Treasury make the following Order in exercise of the power conferred by section 31B(8) of the Income Tax (Trading and Other Income) Act 2005(a).

Citation, commencement and effect

1. This Order may be cited as the Income Tax (Relevant Maximum for Calculating Trade Profits on the Cash Basis) Order 2017 and comes into force on 6th April 2017 with effect for the tax year 2017-18 and subsequent tax years.

Amount of the relevant maximum

2.—(1) Section 31B of the Income Tax (Trading and Other Income) Act 2005 is amended as follows.

- (2) In subsections (3) and (4) after “is greater than” insert “the higher of £300,000 or”.
- (3) In subsection (5)—
 - (a) in paragraph (a) at the beginning insert “the higher of £150,000 or”, and
 - (b) in paragraph (b) after “in the tax year,” insert “the higher of £300,000 or”.
- (4) In subsection (6) for “the VAT threshold is” substitute “amounts specified in subsections (3), (4) and (5) and the VAT threshold are”.

7th March 2017

Guto Bebb
David Evennett

Two of the Lords Commissioners for Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

Section 31B of the Income Tax (Trading and Other Income) Act 2005 sets the relevant maximum, which is the threshold for turnover above which an individual carrying on a trade, profession or vocation cannot use the cash basis to calculate their profits for income tax (but must calculate them in accordance with generally accepted accounting practice instead). Such an election may be

(a) 2005 c. 5; section 31B was inserted by paragraphs 1 and 5 of Schedule 4 to the Finance Act 2013 (c. 29).

made under section 25A if the conditions in section 31A are met. The relevant maximum is relevant for section 31A(2) (Condition A).

This Order amends section 31B for the tax year 2017-18 and subsequent tax years to increase the turnover threshold for exiting the cash basis (see subsections (3) and (4)) from an amount equal to twice the VAT threshold to an amount equal to £300,000. It increases the turnover limit up to which an individual can enter the cash basis (the relevant maximum, see subsection (5)) from the VAT threshold to £150,000 or, in the case of universal credit claimants, £300,000. The amended thresholds are limited so that they may not fall below levels linked to the VAT threshold.

A Tax Information and Impact Note covering this instrument was published on 31st January 2017 alongside the draft instrument. This has been updated as a result of changes to the impacts as a result of this instrument and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

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