

Explanatory Note

Clause X: Trade and property business profits: money's worth

Summary

1. This clause confirms that trading income received in non-monetary form is fully brought into account in calculating taxable trading profits for income tax and corporation tax purposes. This will also apply to the calculation of taxable property income. The legislation will operate with effect from Budget 2016 in relation to trading transactions occurring on or after 16th March 2016.

Details of the clause

2. Subsection (1) directs that the Income Tax (Trading and Other Income) Act (ITTOIA) 2005 is to be amended.
3. Subsection (2) inserts new section 28A into Chapter 3 of Part 2 of ITTOIA.
4. New section 28A(1) provides that new Section 28A(2) applies for the purpose of bringing into account money's worth arising in the course of a trade where certain conditions are met, where an amount would not otherwise be fully brought into account (but see also new section 28A(3)).
5. New section 28A(2) provides that if the money's worth would have been brought into account as a receipt if it arose as a sum of money, then the value of the money's worth is to be brought into account for the purposes of calculating the profits of the trade.
6. New section 28A(3) provides that new section 28A will not apply where another provision within Part 2 of ITTOIA expressly provides for the bringing into account as a receipt an amount in respect of money's worth.
7. Subsection (3) makes consequential changes to the reference table in section 272 of ITTOIA.
8. Subsection (4) directs that the Corporation Tax Act 2009 (CTA 2009) is to be amended.
9. Subsection (5) inserts new section 49A into Chapter 3 of Part 3 of CTA 2009 and provides for the equivalent effect for the purposes of CTA 2009 that subsection (2) has for the purposes of ITTOIA.
10. Subsection (6) makes consequential changes to the Table in section 210(2) of CTA 2009.

11. Subsection (7) provides for commencement. The statutory rule will apply to transactions entered into on or after 16th March 2016.

Background note

12. The 1948 House of Lords decision in *Gold Coast Selection Trust Ltd v Humphrey* (30TC209) established the principle that the value of trading income received in non-monetary form is taxable in full as trading income.
13. At Budget 2016 the Government announced that it would introduce legislation with immediate effect to confirm existing law and practice in relation to trading and property income received in non-monetary form.