

*These notes refer to the Income Tax (Trading and Other Income)  
Act 2005 (c.5) which received Royal Assent on 24 March 2005*

# **INCOME TAX (TRADING AND OTHER INCOME) ACT 2005**

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## **EXPLANATORY NOTES**

### **COMMENTARY ON SECTIONS**

#### **Part 2: Trading income**

#### *Chapter 15: Basis periods*

#### **Overview**

- 812. Profits for a tax year are taxed by reference to the amount of profit earned in the basis period for that tax year.
- 813. This Chapter gives the rules that identify the basis period for a particular tax year.
- 814. For established, on-going trades with a constant accounting date – the majority of cases –the rules operate very simply: the basis period for a tax year is the 12 month period ending on the accounting date in that year.
- 815. But special rules are needed when a trade begins or ends. And further rules have to deal with less common events such as a change of accounting date or if accounts are regularly prepared to a particular day (rather than a particular date) in the year.
- 816. The rules in this Chapter are ordered so that the rules dealing with the more unusual cases are located at the end of the Chapter: the simplest cases are fully dealt with by the first six sections.