

*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

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 5: Miscellaneous income

Chapter 2: Receipts from intellectual property

Section 601: How relief is given under section 600

2336. This section sets out how relief is to be given where a claim is made under section 600 for patent expenses to be set against patent income. It is based on sections 526, 528 and 533 of ICTA.
2337. *Subsection (2)* allows relief for expenditure against patent income in the tax year in which the expenditure is incurred. However, if the expenses exceed the patent income in the tax year, the surplus expenses cannot be used to create a loss under this section.
2338. *Subsection (3)* provides that the excess of eligible expenses over income in a tax year is carried forward and set off against patent income in the next tax year and so on until the expenses have been fully relieved. The carry forward to future years is automatic and no additional claim needs to be made.
2339. *Subsection (5)* reproduces the ordering rule in section 528(3A) of ICTA. This requires the deduction or set-off of any capital allowances under section 479 of CAA in calculating “income from patents” for the purposes of subsection (4) of this section.