



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 5

TRADE PROFITS: RULES ALLOWING DEDUCTIONS

Incidental costs of obtaining finance

58 Incidental costs of obtaining finance

- (1) In calculating the profits of a trade, a deduction is allowed for incidental costs of obtaining finance by means of—
 - (a) a loan, or
 - (b) the issue of loan stock,if the interest on the loan or stock is deductible in calculating the profits of the trade.
- (2) “Incidental costs of obtaining finance” means expenses—
 - (a) which are incurred on fees, commissions, advertising, printing and other incidental matters, and
 - (b) which are incurred wholly and exclusively for the purpose of obtaining the finance, providing security for it or repaying it.
- (3) Expenses incurred wholly and exclusively for the purpose of—
 - (a) obtaining finance, or
 - (b) providing security for it,are incidental costs of obtaining the finance even if it is not in fact obtained.

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- (4) But the following are not incidental costs of obtaining finance—
- (a) sums paid because of losses resulting from movements in the rate of exchange between different currencies,
 - (b) sums paid for the purpose of protecting against such losses,
 - (c) the cost of repaying a loan or loan stock so far as attributable to its being repayable at a premium or having been obtained or issued at a discount, and
 - (d) stamp duty.
- (5) This section needs to be read with ^{F1}—
- (a) section 57B(3) (which imposes a limit on the total amount that may be deducted by virtue of this section or section 57B), and
 - (b) section 59 (which provides for restrictions in relation to convertible loans and loan stock etc.).

Textual Amendments

- F1** Words in s. 58(5)(a) inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 15](#)

Modifications etc. (not altering text)

- C1** S. 58 modified (with effect as mentioned in s. 56 of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 51\(3\)\(5\)](#)
- C2** S. 58 modified (1.4.2010) by [Income Tax Act 2007 \(c. 3\)](#), [s. 564N\(3\)](#) (as inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), [s. 381\(1\)](#), [Sch. 2 para. 15\(3\)](#) (with Sch. 9 paras. 1-9, 22))

59 Convertible loans and loan stock etc.

- (1) No deduction is allowed under section 58 in respect of a loan or loan stock if—
- (a) it carries the right of conversion into, or to the acquisition of, shares or other securities, and
 - (b) the right is exercisable before the end of the period of 3 years from the date when the loan was obtained or the stock issued (“the 3 year period”).
- (2) “Other securities” does not include a loan or loan stock—
- (a) the interest on which is deductible in calculating the profits of the person's trade, and
 - (b) which does not carry such a right as is mentioned in subsection (1).
- (3) But the restriction imposed by subsection (1) does not apply if the right is not, or is not wholly, exercised before the end of the 3 year period.
- (4) In such a case any incidental costs of obtaining finance incurred before the end of the 3 year period are treated as incurred immediately after the end of it.
- (5) If the right is exercised within the 3 year period as to part of the loan or loan stock, only the following incidental costs of obtaining finance are treated as incurred.
- (6) The costs are those corresponding to the proportion of the loan or loan stock in respect of which the right is not exercised within that period.

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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):

- s. 7A-7D inserted by [2022 c. 3 Sch. 1 para. 3](#)
- s. 31E(4) inserted by [2022 c. 3 Sch. 1 para. 7\(3\)](#)
- s. 649(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 11\(2\)](#)
- s. 679(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(5\)\(b\)](#)
- s. 679A(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(6\)\(b\)](#)
- s. 680(1A) inserted by [2023 c. 30 Sch. 2 para. 11\(7\)\(a\)](#)