

*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 2: Trading income**

#### ***Chapter 4: Trade profits: rules restricting deductions***

#### **Employee benefit contributions**

#### ***Section 48: Car or motor cycle hire***

203. This section restricts the amount which a trader can deduct in respect of the cost of hiring certain cars or motor cycles with a retail price (when new) of more than £12,000. The restriction is in inverse proportion to the retail price. The section is based on sections 578A and 578B of ICTA.
204. Section 578B(1) of ICTA says that for the purposes of section 578A of ICTA “car” includes a motor cycle. So this section and section 49 refer to a “car or motor cycle” throughout.
205. Section 578A(4) of ICTA provides for amounts in respect of hire charges brought into account as a receipt of the trade under section 94 of ICTA (debts deducted and subsequently released) to be reduced in the same proportion as the deduction in respect of those charges is reduced under section 578A(3) of ICTA. *Subsection (4)* of this section extends the same treatment to amounts in respect of hire charges taxed as a post-cessation receipt under section 103(4) of ICTA (debts released after cessation). See *Change 10* in Annex 1.
206. Sections 94 and 103(4) of ICTA are rewritten in sections 97 and 249 respectively.