



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 9

TRADE PROFITS: ^{F1} . . . SOUND RECORDINGS

Textual Amendments

- F1** Pt. 2 Ch. 9: words in heading repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

Introduction

130 Expenditure to which this Chapter applies

- (1) This Chapter makes provision about—
 - (a) expenditure incurred on the production or acquisition of the original master version of a ^{F2} . . . sound recording, ^{F3} . . .
 - (b) ^{F3} . . .
- (2) In this Chapter references to production expenditure are to expenditure incurred on the production of the original master version of a ^{F4} . . . sound recording.
- (3) In this Chapter references to acquisition expenditure are to expenditure incurred on the acquisition of the original master version of a ^{F5} . . . sound recording.

Changes to legislation: *Income Tax (Trading and Other Income) Act 2005, Chapter 9 is up to date with all changes known to be in force on or before 05 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (4) In this Chapter references to the original master version of a film or sound recording include any rights in the original master version of a ^{F6}. . . sound recording that are held or acquired with it.
- (5) In this Chapter references to production or acquisition expenditure do not include—
- interest (as to which, see section 29), or
 - the incidental costs of obtaining finance (as to which, see sections 58 and 59).
- (6) ^{F7}
- (7) In this Chapter “any prohibitive rule” means any provision of the Income Tax Acts which—
- prohibits a deduction from being made, or
 - restricts the extent to which it is allowed,
- in calculating the profits of a trade.

Textual Amendments

- F2** Words in s. 130(1)(a) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F3** S. 130(1)(b) and word repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F4** Words in s. 130(2) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F5** Words in s. 130(3) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F6** Words in s. 130(4) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F7** 130(6) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

[^{F8}130A Chapter not to apply where cash basis used

Nothing in this Chapter applies in calculating the profits of a trade on the cash basis.]

Textual Amendments

- F8** S. 130A inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 4 para. 25](#)

131 Meaning of “film” and related expressions

^{F9}

Textual Amendments

- F9** S. 131 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

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132 Meaning of “original master version” and “certified master version”

(1) In this Chapter “original master version” means—

- (a) ^{F10}
 - (b) in relation to a sound recording, the original master audio tape or disc.
- (2) ^{F11}
- (3) ^{F11}

Textual Amendments

F10 S. 132(1)(a) and following word repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

F11 S. 132(2)(3) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

133 Meaning of “relevant period”

In this Chapter “relevant period”, in relation to a trade, means—

- (a) a period of account of the trade, or
- (b) if no accounts of the trade are drawn up for a period, the basis period for a tax year.

Expenditure treated as revenue in nature

134 Expenditure treated as revenue in nature

- (1) If a person carrying on a trade incurs production or acquisition expenditure, the expenditure is treated for income tax purposes as expenditure of a revenue nature.
- (2) If expenditure is treated under this section as revenue in nature, sums received by the person carrying on the trade from the disposal of the original master version—
 - (a) are treated for income tax purposes as receipts of a revenue nature, and
 - (b) are brought into account in calculating the profits of the trade of the relevant period in which they are received.
- (3) For this purpose sums received from the disposal of the original master version include—
 - (a) sums received from the disposal of any interest or right in or over the original master version (including an interest or right created by the disposal), and
 - (b) insurance, compensation or similar money derived from the original master version.
- (4) ^{F12}

Textual Amendments

F12 S. 134(4) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

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[^{F13}Rules for allocating expenditure]

Textual Amendments

F13 S. 135 cross-heading substituted (with effect as mentioned in s. 46, 47 of the amending Act) by virtue of [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 2(a)}

135 [^{F14}**Allocation of production or acquisition expenditure to relevant periods**]

- (1) This section applies for the purpose of calculating the profits of a trade of a relevant period if—
 - (a) the trade consists of or includes the exploitation of the original master versions of ^{F15} . . . sound recordings,
 - (b) the original master versions do not constitute trading stock of the trade (within the meaning of section 174),
 - (c) the person carrying on the trade incurs production or acquisition expenditure in, or before, the relevant period, and
 - (d) ^{F16}
- (2) A deduction is allowed for the amount of the production or acquisition expenditure allocated to the relevant period, but this is subject to the application of any prohibitive rule.
- (3) The person carrying on the trade must allocate to the relevant period so much of the expenditure as is just and reasonable (but see subsection (5)).
- (4) In making this allocation regard must be had to the following—
 - (a) the amount of the expenditure which remains unallocated at the beginning of the period,
 - (b) the amount of the expenditure incurred in the period,
 - (c) the proportion which the estimated value of the original master version realised in the period (by way of income or otherwise) bears to the sum of the value so realised and the estimated remaining value at the end of the period, and
 - (d) the need to bring the whole of the expenditure into account over the time during which the value of the original master version is expected to be realised.
- (5) The person carrying on the trade may also allocate to the relevant period a further amount, so long as the total amount allocated to the period does not exceed the value of the original master version realised in the period (by way of income or otherwise).
- (6) Expenditure may not be allocated to the relevant period under this section if it is allocated—
 - (a) under this section to any other relevant period,
 - (b) ^{F17}
 - (c) ^{F17}
 - (d) ^{F17}
- (7) ^{F18}

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Textual Amendments

- F14** S. 135 heading substituted (with effect as mentioned in s. 46, 47 of the amending Act) by virtue of [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Notes 1, 2(b)}
- F15** Words in s. 135(1)(a) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F16** S. 135(1)(d) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F17** S. 135(6)(b)-(d) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}
- F18** S. 135(7) repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

Certified master versions: special rules for allocating expenditure

136 Application of provisions about certified master versions

F19

Textual Amendments

- F19** Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

137 Certified master versions: preliminary expenditure

F20

Textual Amendments

- F20** Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

138 Certified master versions: production expenditure

F21

Textual Amendments

- F21** Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

[^{F22}138A Certified master versions: acquisition expenditure

F23]

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Textual Amendments

- F22** Ss.138, 138A substituted for s. 138 (with effect as mentioned in [Sch. 3 para. 3\(2\)\(3\)](#) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 59, Sch. 3 para. 3\(1\)\(4\)](#)
- F23** Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

Certified master versions: limited-budget films

139 Certified master versions: production expenditure on limited-budget films

F24

Textual Amendments

- F24** Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

140 Certified master versions: acquisition expenditure on limited-budget films

F25

Textual Amendments

- F25** Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

[^{F26} Interpretation of sections 138 to 140

Textual Amendments

- F26** S. 140A and preceding cross-heading inserted (with effect as mentioned in [Sch. 3 para. 6\(2\)-\(4\)](#) of the amending Act) by [Finance Act 2005 \(c. 7\), Sch. 3 para. 6\(1\)](#)

140A “Disqualifying deduction”

F27]

Textual Amendments

- F27** Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\), s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

141 “Total production expenditure in respect of the original master version”

F28

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Textual Amendments

F28 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

142 When expenditure is incurred

F29

Textual Amendments

F29 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

142A^{F30} Deferred income agreements

Textual Amendments

F30 Ss. 142A-142E and preceding cross-heading inserted (with effect as mentioned in [s. 65\(2\)](#) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 65\(1\)](#)

142A Deferred income agreements which exist when deduction made

F31

Textual Amendments

F31 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

142B Meaning of “deferred income agreement in respect of a film”

F32

Textual Amendments

F32 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

142C Deferred income agreements entered into after deduction made

F33

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Textual Amendments

F33 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

142D Meaning of the “net excess relief”

F34

Textual Amendments

F34 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

142E Sections 142A to 142D: time of entry into an agreement

F35]

Textual Amendments

F35 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

Election for sections 134 to 140 not to apply

143 Election for sections 134 to 140 not to apply

F36

Textual Amendments

F36 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

Supplementary

144 Meaning of “genuinely intended for theatrical release”

F37

Textual Amendments

F37 Ss. 136-144 repealed (with effect as mentioned in ss. 46, 47 of the repealing Act) by [Finance Act 2006 \(c. 25\)](#), [s. 178](#), {Sch. 26 Pt. 3(4) Note 1}

Changes to legislation:

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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\(7\)\(a\)](#)