



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 4

#### LOSS RELIEF

### CHAPTER 7

#### LOSSES FROM MISCELLANEOUS TRANSACTIONS

##### *Loss relief against miscellaneous income*

#### **152 Losses from miscellaneous transactions**

- (1) A person may make a claim for loss relief against miscellaneous income if in a tax year (“the loss-making year”) the person makes a loss in any relevant transaction.
- (2) A transaction is a relevant one if, assuming there were profits or other income arising from it—
  - (a) those profits or that other income would be section 1016 income, and
  - (b) the person would be liable for income tax charged on those profits or that other income.
- (3) The claim is for the loss to be deducted in calculating the person's net income for the loss-making year and subsequent tax years (see Step 2 of the calculation in section 23).
- (4) But a deduction for that purpose is to be made only from the person's miscellaneous income.
- (5) A person's miscellaneous income is so much of the person's total income as is—
  - (a) income or gains arising from transactions, and
  - (b) section 1016 income.

This is subject to subsection (6).

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*Status: Point in time view as at 06/04/2007.*

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- (6) If the loss was made by the person as a partner in a partnership, the transactions covered by subsection (5)(a) are limited to transactions entered into by the partnership.
- (7) In calculating a person's net income for a tax year, deductions under this section from the person's miscellaneous income are to be made before deductions of any other reliefs from that miscellaneous income.
- (8) In this section “section 1016 income” means income on which income tax is charged under or by virtue of any provision to which section 1016 applies.
- (9) This section needs to be read with—
  - (a) section 153 (how relief works),
  - (b) section 154 (transactions in deposit rights), and
  - (c) section 155 (claims).

### **153 How relief works**

This section explains how the deductions are to be made. The amount of the loss to be deducted at any step is limited in accordance with section 25(4) and (5).

#### *Step 1*

Deduct the loss from the miscellaneous income for the loss-making year.

#### *Step 2*

Deduct from the miscellaneous income for the next tax year the amount of the loss not previously deducted.

#### *Step 3*

Continue to apply Step 2 in relation to miscellaneous income for subsequent tax years until all the loss is deducted.

### *Deposit rights*

### **154 Transactions in deposit rights**

- (1) This section applies if—
  - (a) a person makes a loss from the disposal or exercise of a right to receive an amount,
  - (b) the disposal or exercise is a transaction in a deposit under Chapter 11 of Part 4 of ITTOIA 2005 (see subsection (2)), and
  - (c) the person's total income for a tax year includes interest payable on the amount.
- (2) The disposal or exercise is a transaction in a deposit under Chapter 11 of Part 4 of ITTOIA 2005 if, assuming there were a profit or gain from it, the profit or gain would be charged to tax under that Chapter.
- (3) For the purposes of the giving of loss relief against miscellaneous income for the loss mentioned in subsection (1)(a), the interest mentioned in subsection (1)(c) is treated as miscellaneous income for the tax year.

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## Supplementary

### 155 Time limit for claiming relief

(1) So far as a claim for loss relief against miscellaneous income concerns the amount of the loss for a tax year, it must be made on or before the fifth anniversary of the normal self-assessment filing date for the tax year.

(2) But—

- (a) the question whether, and
- (b) if so, how much,

loss relief against miscellaneous income should be given for a tax year may be the subject of a separate claim made on or before the fifth anniversary of the normal self-assessment filing date for the tax year.

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