

Conventional basis: general charge on receipts after change of basis. FA70 s26(1) to (4) 94.—(1) Where in the case of any trade or profession the profits or gains of which are chargeable to tax under Case I or II of Schedule D there has been—

(a) a change from a conventional basis to the earnings basis, or

(b) a change of conventional basis which may result in receipts dropping out of computation,

tax shall be charged under Case IV of Schedule D in respect of sums to which this subsection applies which are received after the change and before the trade or profession is permanently discontinued.

(2) Subsection (1) shall apply to all sums arising from the carrying on of the trade or profession during any period before the change (not being sums otherwise chargeable to tax) in so far as their amount or value was not taken into account in computing the profits or gains for any period.

(3) Where in the case of any profession the profits or gains of which are chargeable to tax under Case II of Schedule D—

(a) there has been a change from a conventional basis to the earnings basis, or a change of conventional basis, and

(b) the value of work in progress at the time of the change was debited in the accounts and allowed as a deduction in computing profits for tax purposes for a period after the change,

then, in so far as no counterbalancing credit was taken into account in computing profits for tax purposes for any period ending before or on the date of the change, tax shall be charged under subsection (1) in respect of that amount for the year of assessment in which the change occurred as if that amount were a sum to which subsection (2) applies and the change of basis were a change of the kind described in subsection (1).

(4) In this section, references to work in progress at the time of a change of basis shall be construed in accordance with section 90 (4) but as if references in that section to the change of basis were references to the discontinuance.

(5) There shall be a change from a conventional basis to the earnings basis at the end of a period, the profits or gains of which were computed on a conventional basis, if the profits or gains of the next succeeding period are computed by reference to earnings and, if the profits or gains of 2 successive periods are computed on different conventional bases, a change of conventional basis shall occur at the end of the earlier period.