

Calculation of amount of profits or gains for purposes of terminal loss. ITA67 s313(1) and (2) 387.—(1) The amount of the profits or gains on which a person has been charged to income tax for any year of assessment in respect of the profits or gains of a trade or profession shall, for the purposes of relief under section 385 from the assessment for that year, be taken to be the full amount of the profits or gains on which the person was assessable for that year reduced by—

(a) a sum equal to the total amount of the deductions, if any, in respect of capital allowances made in charging the profits or gains,

(b) a sum equal to the amount of the deductions, if any, in respect of payments made or losses sustained, which were to be made from the profits or gains in computing for income tax purposes the person's total income for the year, or would have been so made if the person were an individual, and

(c) in the case of a body of persons, a sum equal to so much of the profits or gains as was applied in payment of dividends;

but, where any deduction mentioned in paragraph (b) may be treated in whole or in part either as having been made from the profits or gains or as having been made from other income, the deduction shall, as far as may be, be treated for the purposes of this subsection as made from the other income.

(2) Where under subsection (1)(b) the amount of the profits or gains on which a person was assessable for any year is reduced by reference to a payment made by the person, a like reduction shall be made in the amount of the terminal loss for which relief may be given under section 385 for earlier years unless the payment was made wholly and exclusively for the purposes of the trade or profession.