

Computational rules and allowable deductions. ITA67 s81(4), (5), (6), (7) and (8); FA69 s22; FA97 s146(1) and Sch9 Ptl par1(6) 97.—(1) Subject to this Chapter, the amount of the profits or gains arising in any year shall for the purposes of Case V of Schedule D be computed as follows:

(a) the amount of any rent shall be taken to be the gross amount of that rent before any deduction for income tax;

(b) the amount of the profits or gains arising in any year shall be the aggregate of the surpluses computed in accordance with paragraph (c), reduced by the aggregate of the deficiencies as so computed;

(c) the amount of the surplus or deficiency in respect of each rent or in respect of the total receipts from easements shall be computed by making the deductions authorised by subsection (2) from the rent or total receipts from easements, as the case may be, to which the person chargeable becomes entitled in any year.

(2) The deductions authorised by this subsection shall be deductions by reference to any or all of the following matters—

(a) the amount of any rent payable by the person chargeable in respect of the premises or in respect of a part of the premises;

(b) any sums borne by the person chargeable—

(i) in the case of a rent under a lease, in accordance with the conditions of the lease, and

(ii) in any other case, relating to and constituting an expense of the transaction or transactions under which the rents or receipts were received,

in respect of any rate levied by a local authority, whether such sums are by law chargeable on such person or on some other person;

(c) the cost to the person chargeable of any services rendered or goods provided by such person, otherwise than as maintenance or repairs, being services or goods which—

(i) in the case of a rent under a lease, such person is legally bound under the lease to render or provide but in respect of which such person receives no separate consideration, and

(ii) in any other case, relate to and constitute an expense of the transaction or transactions under which the rents or receipts were received, not being an expense of a capital nature;

(d) the cost of maintenance, repairs, insurance and management of the premises borne by the person chargeable and relating to and constituting an expense of the transaction or transactions under which the rents or receipts were received, not being an expense of a capital nature;

(e) interest on borrowed money employed in the purchase, improvement or repair of the premises.

(3) (a) The amount of the deductions authorised by subsection (2) shall be the amount which would be deducted in computing profits or gains under the provisions applicable to Case I of Schedule D if the receipt of rent were deemed to be a trade carried on by the person chargeable—

(i) in the case of a rent under a lease, during the currency of the lease, and

(ii) in the case of a rent not under a lease, during the period during which the person chargeable was entitled to the rent,

and the premises comprised in the lease or to which the rent relates were deemed to be occupied for the purpose of that trade.

(b) For the purpose of this subsection, the currency of a lease shall be deemed to include a period immediately following its termination, during which the lessor immediately before the termination was not in occupation of the premises or any part of the premises, but was entitled to possession of the premises, if at the end of that period the premises have become subject to another lease granted by the lessor.

(4) (a) Where the person chargeable is entitled in respect of any premises (in this subsection referred to as “the relevant premises”) to a rent or to receipts from any easement and a sum by reference to which a deduction is authorised to be made by subsection (2) is payable by such person in respect of premises which comprise the whole or a part of the relevant premises and other premises, the inspector shall make, according to the best of his or her knowledge and judgment, any appropriate apportionment of the sum in determining the amount of any deduction under that subsection.

(b) Where the person chargeable retains possession of a part of any premises and that part is used in common by persons respectively occupying other parts of the premises, paragraph (a) shall apply as if a payment made in respect of the part used in common had been made in respect of those other parts.

(5) Any amount or part of an amount shall not be deducted under subsection (2) if it has otherwise been allowed as a deduction in computing the income of any person for the purposes of tax.