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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, Paragraph 2. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 15

#### ACCOUNTANCY CHANGE: SPREADING OF ADJUSTMENT

##### PART 1

##### INCOME TAX

###### *Spreading of adjustment income*

- 2 (1) The adjustment income shall be spread in accordance with the following rules.
- (2) In each of the first three tax years beginning with that in which the whole amount of the adjustment income would otherwise be chargeable to tax, an amount equal to whichever is the less of—
- (a) one-third of the original amount of the adjustment income, and
  - (b) one-sixth of the profits of the business for that tax year,
- is treated as arising and charged to tax.
- (3) In the fourth and fifth tax years, if the whole of the adjustment income has not been charged to tax in previous tax years, an amount equal to whichever is the least of—
- (a) the amount remaining untaxed,
  - (b) one-third of the original amount of the adjustment income, and
  - (c) one-sixth of the profits of the business for that tax year,
- is treated as arising and charged to tax.
- (4) In the sixth tax year so much (if any) of the adjustment income as has not previously been charged to tax is treated as arising and is charged to tax.
- (5) For the purposes of this paragraph “the profits of the business” means the profits of the business as calculated for income tax purposes leaving out of account—
- (a) any adjustment expenses under Chapter 17 of Part 2 of ITTIOIA 2005, and
  - (b) any allowances or charges under CAA 2001.
- (6) This paragraph has effect subject to—
- (a) paragraph 3 (effect of cessation of business), and
  - (b) paragraph 4 (election to accelerate charge).

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2006, Paragraph 2.