



Income Tax Act 2007

2007 CHAPTER 3

PART 2

BASIC PROVISIONS

CHAPTER 3

CALCULATION OF INCOME TAX LIABILITY

[^{F1}24A Limit on Step 2 deductions

- (1) If the taxpayer is an individual, there is a limit on certain deductions which may be made for the tax year at Step 2.
- (2) The limit is determined as follows.
- (3) Amount A must not exceed amount B.
- (4) Amount A is—
 - (a) the deductions for the tax year at Step 2 for the reliefs listed in subsection (6) taken together, less
 - (b) so much of those deductions as fall within subsection (7).
- (5) Amount B is—
 - (a) £50,000, or
 - (b) if more, 25% of the taxpayer's adjusted total income for the tax year (see subsection (8)).
- (6) The reliefs are—
 - (a) relief under section 64 (trade loss relief against general income);
 - (b) relief under section 72 (early trade losses relief);
 - (c) relief under section 96 (post-cessation trade relief);
 - (d) relief under section 120 (property loss relief against general income);

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (e) relief under section 125 (post-cessation property relief);
 - (f) relief under section 128 (employment loss relief against general income);
 - (g) relief under Chapter 6 of Part 4 (share loss relief);
 - (h) relief under Chapter 1 of Part 8 (interest payments);
 - (i) relief under section 555 of ITEPA 2003 (deduction for liabilities relating to former employment);
 - (j) relief under section 446 of ITTOIA 2005 (strips of government securities: relief for losses);
 - (k) relief under section 454(4) of ITTOIA 2005 (listed securities held since 26 March 2003: relief for losses: persons other than trustees).
- (7) The deductions falling within this subsection are—
- (a) deductions for amounts of relief so far as attributable to allowances under Part 3A of CAA 2001 (business premises renovation allowances);
 - (b) deductions for amounts of relief under a provision mentioned in subsection (6)(a) to (e) so far as made from profits of the trade or business to which the relief in question relates;
 - (c) deductions for amounts of relief under the provision mentioned in subsection (6)(a) or (b) so far as attributable to a deduction allowed under section 205 or 220 of ITTOIA 2005 (deduction for overlap profit in final tax year or on change of accounting date);
 - (d) deductions for amounts of relief under the provision mentioned in subsection (6)(g)—
 - (i) where the shares in question fall within section 131(2)(a) (qualifying shares to which EIS relief is attributable), or
 - (ii) where SEIS relief is attributable to the shares in question as determined in accordance with Part 5A (seed enterprise investment scheme)^{F2}, or
 - (iii) where SI relief is attributable to the shares in question as determined in accordance with Part 5B (income tax relief for social investments).]
- (8) The taxpayer's “adjusted total income” for the tax year is calculated as follows.
- Step 1* Take the amount of the taxpayer's total income for the tax year.
- Step 2* Add back the amounts of any deductions allowed under Part 12 of ITEPA 2003 (payroll giving) in calculating the taxpayer's income which is charged to tax for the tax year.
- Step 3* If the taxpayer is given relief in accordance with section 192 of FA 2004 (pension schemes: relief at source) in respect of any contribution paid in the tax year under a pension scheme, deduct the gross amount of the contribution. The “gross” amount of a contribution is the amount of the contribution before deduction of tax under section 192(1) of FA 2004.
- Step 4* If the taxpayer is entitled to a deduction for relief under section 193(4) or 194(1) of FA 2004 (pension schemes: excess relief under net payment arrangements or relief on making a claim) for the tax year, deduct the amount of the excess or contribution (as the case may be). The result is the taxpayer's adjusted total income for the tax year.]

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

Textual Amendments

- F1** S. 24A inserted (with effect in accordance with Sch. 3 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 3 para. 1](#) (with [Sch. 3 paras. 4, 5](#))
- F2** S. 24A(7)(d)(iii) and word inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 11 para. 5](#)

Modifications etc. (not altering text)

- C1** [S. 24A\(7\)\(c\)](#) applied (with application in accordance with Sch. 1 para. 64 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 1 para. 76\(2\)](#)

Changes to legislation:

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to :

- s. 24A(7)(c) omitted by [2022 c. 3 Sch. 1 para. 39](#)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)