



# Income Tax (Trading and Other Income) Act 2005

## 2005 CHAPTER 5

### PART 2

#### TRADING INCOME

#### CHAPTER 12

##### TRADE PROFITS: VALUATION OF STOCK AND WORK IN PROGRESS [F<sup>1</sup> ON CESSATION OF TRADE ]

##### *Valuation of trading stock*

#### **175 Basis of valuation of trading stock**

- (1) The value of trading stock belonging to the trade at the time of the cessation is determined as follows.
- (2) If the stock is sold to a person who—
  - (a) carries on, or intends to carry on, a trade[F<sup>1</sup>, profession or vocation] in the United Kingdom, and
  - (b) is entitled to deduct the cost of the stock as an expense in calculating the profits of that trade[F<sup>2</sup>, profession or vocation] for income or corporation tax purposes,the value is determined in accordance with section 176 (sale to unconnected person), 177 (sale to connected person) or 178 (election by connected persons).
- (3) But if section 127 (preventing abuse of the herd basis rules) applies—
  - (a) the value is not determined in accordance with any of those sections, and

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*Status: Point in time view as at 15/09/2016.*

*Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 175. (See end of Document for details)*

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- (b) the value is instead taken to be that given by section 127 (the price which the animals transferred would have fetched if sold in the open market at the time of the sale).
- (4) In any other case, the value is taken to be the amount which the stock would have realised if sold in the open market at the time of the cessation.

#### **Textual Amendments**

- F1** Words in s. 175(2)(a) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 605\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F2** Words in s. 175(2)(b) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 605\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))

**Status:**

Point in time view as at 15/09/2016.

**Changes to legislation:**

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 175.