

Status: Point in time view as at 24/05/2024.

Changes to legislation: Finance Act 2008, SCHEDULE 15 is up to date with all changes known to be in force on or before 01 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 15

Section 37

CHANGES IN TRADING STOCK

PART 1

INCOME TAX

- 1 ITTOIA 2005 is amended as follows.
- 2 After section 172 insert—

“CHAPTER 11A

TRADE PROFITS: CHANGES IN TRADING STOCK

Introduction

172A Meaning of “trading stock”

- (1) In this Chapter “trading stock”, in relation to a trade, means anything (whether land or other property)—
 - (a) which is sold in the ordinary course of trade, or
 - (b) which would be so sold if it were mature or its manufacture, preparation or construction were complete.
- (2) It does not include—
 - (a) materials used in the manufacture, preparation or construction of any such thing,
 - (b) any services performed in the ordinary course of the trade, or
 - (c) any article produced, or any material used, in the performance of any such services.

Transfers of trading stock between trade and trader

172B Trading stock appropriated by trader

- (1) This section applies if trading stock of a person's trade is appropriated by the person for any other purpose.
- (2) In calculating the profits of the trade—

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- (a) the amount which the stock appropriated would have realised if sold in the open market at the time of the appropriation is brought into account as a receipt, and
 - (b) the value of anything in fact received for it is left out of account.
- (3) The receipt is treated as arising on the date of the appropriation.

172C Trading stock supplied by trader

- (1) This section applies if something that—
- (a) belongs to a person carrying on a trade, but
 - (b) is not trading stock of the trade,
- becomes trading stock of the trade.
- (2) In calculating the profits of the trade—
- (a) the cost of the stock is taken to be the amount which it would have realised if sold in the open market at the time it became trading stock of the trade, and
 - (b) the value of anything in fact given for it is left out of account.
- (3) The cost is treated as being incurred on the date it became trading stock of the trade.

Other disposals not made in the course of trade

172D Disposals not made in the course of trade

- (1) This section applies if—
- (a) trading stock of a trade is disposed of otherwise than in the course of a trade, and
 - (b) section 172B does not apply.
- (2) In calculating the profits of the trade—
- (a) the amount which the stock disposed of would have realised if sold in the open market at the time of the disposal is brought into account as the receipt, and
 - (b) any consideration obtained for it is left out of account.
- (3) The receipt is treated as arising on the date of the disposal.
- (4) This section is subject to section 172F.

172E Acquisitions not made in the course of trade

- (1) This section applies if—
- (a) trading stock of a trade has been acquired otherwise than in the course of trade, and
 - (b) section 172C does not apply.
- (2) In calculating the profits of the trade—
- (a) the cost of the stock is taken to be the amount which it would have realised if sold in the open market at the time of the acquisition, and

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- (b) the value of anything in fact given for it is left out of account.
- (3) The cost is treated as being incurred on the date of the acquisition.
- (4) This section is subject to section 172F.

Relationship with transfer pricing rules

172F Transfer pricing rules to take precedence

- (1) Section 172D or 172E does not apply if the relevant consideration—
 - (a) falls to be adjusted for tax purposes under Schedule 28AA to ICTA, or
 - (b) falls within that Schedule without falling to be so adjusted.
- (2) For the purposes of subsection (1)(b), the relevant consideration falls within Schedule 28AA to ICTA without falling to be adjusted under that Schedule if—
 - (a) the conditions in paragraph 1(1) of that Schedule are met, but
 - (b) either—
 - (i) the actual provision does not differ from the arm's length provision, or
 - (ii) the exception in paragraph 8, 10 or 13 of that Schedule applies.
- (3) In this section “relevant consideration” means—
 - (a) in relation to section 172D, the consideration for the disposal of the stock, and
 - (b) in relation to section 172E, the consideration for the acquisition of the trading stock.”

3 In the heading of Chapter 12 of Part 2, insert at the end insert “ on cessation of trade ”.

4 In Schedule 4, in the table in Part 2, after the entry relating to “trade” insert—

“trading stock (in relation to a trade) (in section 172A”.
Chapter 11A of Part 2)

F1 PART 2

CORPORATION TAX

Textual Amendments

F1 Sch. 15 Pt. 2 repealed (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. 736, Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

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Transfers of trading stock between trade and trader

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Other disposals not made in the course of trade

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