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SCHEDULES

SCHEDULE 9

STOCK RELIEF

PART V

INTERPRETATION

"Period of account"

- 26 In this Schedule "period of account" means a period for which an account is made up in relation to the trade in question.

"Past relief"

- 27 (1) References in this Schedule to "past relief", in relation to a trade carried on by any person in any period of account, are to the aggregate amount of the following reliefs allowed to him (or treated as allowed to him)—
- (a) Schedule 10 relief (as defined in paragraph 18 of Schedule 5 to the Finance Act 1976) allowed for that trade;
 - (b) relief under Part I or Part II of that Schedule allowed for that trade; and
 - (c) relief under Part II or Part III of this Schedule in respect of earlier periods of account.
- (2) Subject to sub-paragraphs (3) to (5) below and to paragraphs 4(3), 14, 15 and 20(3) above, the amount of unrecovered past relief in any period of account is that aggregate amount less the aggregate of the amounts on which charges by way of recovery of relief (whether under this Schedule, Schedule 5 to the said Act of 1976 or paragraph 8 of Schedule 7 to the Finance Act 1980) have been made on that person for that trade in respect of earlier periods of account.
- (3) There shall be excluded from the amount of unrecovered past relief in any period of account so much of that amount (if any) as is attributable to relief allowed under Part I or Part II of Schedule 5 to the said Act of 1976 or under Part II or Part III of this Schedule in respect of any period of account which ended six years or more before the beginning of the first-mentioned period.
- (4) There shall be excluded from the amount of unrecovered past relief in any period of account beginning after—
- (a) the end of the period or the last period of account ending in the financial year 1978 (in the case of a company) or the year 1978-79 (in other cases); or
 - (b) if there is no such period of account, the end of the period of account current at the end of that financial year or year of assessment, as the case may be, so much of that amount (if any) as is attributable to Schedule 10 relief.

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- (5) For the purpose of attributing the amount of unrecovered past relief in any period to Schedule 10 relief, to relief allowed under Part I or Part II of Schedule 5 to the said Act of 1976 or to relief allowed under Part II or III of this Schedule in respect of any previous period it shall be assumed that relief is recovered from later periods before earlier periods.

"Trading stock"

- 28 (1) Subject to the provisions of this paragraph and of paragraphs 29 and 30 below, in this Schedule "trading stock" means property of any description, whether real or personal, being either—
- (a) property such as is sold in the ordinary course of the trade in question, or would be sold if it were mature or if its manufacture, preparation or construction were complete; or
 - (b) materials such as are used in the manufacture, preparation or construction of any such property as is referred to in paragraph (a) above, and includes work in progress.
- (2) Sub-paragraph (1) above does not apply to—
- (a) securities (which for this purpose includes stocks and shares); or
 - (b) land, other than such as is ordinarily sold in the course of the trade only—
 - (i) after being developed by the person carrying on the trade, or
 - (ii) in the case of a company which is a member of a group, for the purpose of being developed by another company in that group; or
 - (c) goods which the person carrying on the trade has let on hire or hire-purchase.
- (3) In sub-paragraph (2) above, references to development are, in relation to land other than a building, references to the construction or substantial reconstruction of buildings on the land and, in relation to a building, references to its construction or substantial reconstruction and "group" shall be construed in accordance with section 272 of the Taxes Act.
- (4) For the purposes of this Schedule the value of a person's trading stock at any time shall be reduced to the extent to which payments on account have been made at or before that time in respect of that stock.
- (5) References in this Schedule to trading stock are to the trading stock brought into account in computing the profits or gains of a trade in accordance with Case I of Schedule D.
- (6) Where a person not resident in the United Kingdom carries on a trade partly within the United Kingdom and partly abroad, references in this Schedule to his trading stock are to the stock attributable to that part of the trade within the charge to United Kingdom tax.
- 29 (1) For the purpose of determining under this Schedule whether any property is a person's trading stock anything which—
- (a) is used by a person ("the contractor") in carrying out, or results from the carrying out by him of, a contract for the manufacture, preparation or construction of any property; and
 - (b) by virtue of a provision in the contract or of any rule of law vests in the other party to the contract before the contract has been fully performed by the contractor;

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shall, until the contract has been so performed, be treated as belonging to the contractor, and, subject to sub-paragraph (2) below, as not belonging to the other party.

- (2) Where the value of any property treated as belonging to the contractor by virtue of sub-paragraph (1) above falls to be reduced under paragraph 28(4) above by reference to payments made by the other party, sub-paragraph (1) above shall not preclude the property being treated, at a value equal to the payments, as belonging to the other party.
- (3) For the purpose of determining under this Schedule whether any property is a person's trading stock any goods which—
- (a) have been sold to a person subject to a condition reserving ownership to the seller pending full payment by that person ; but
 - (b) are treated in the accounts of the seller as sold and in the accounts of the person mentioned in paragraph (a) above as bought,
- shall be treated as belonging to that person and not to the seller.
- 30 (1) In relation to relief in respect of any period of account beginning on or before 26th March 1980 "trading stock" shall include any assets which by virtue of paragraph 7 of Schedule 7 to the Finance Act 1980 were disqualified from being trading stock in relation to any period of account beginning after that date.
- (2) In relation to unrecovered past relief attributable to such assets—
- (a) paragraphs 20 and 21 above shall not displace the operation of any charge under paragraph 4 or 13 above ; and
 - (b) references in paragraphs 4(4) and 13(3) above to unrecovered past relief shall apply as in the case of other unrecovered past relief.
- (3) For the purposes of sub-paragraph (2) above the unrecovered past relief at the beginning of the first period of account beginning after 26th March 1980 shall be apportioned between such assets as are mentioned in sub-paragraph (1) above and other stock by reference to their respective values at the beginning of that period.

" Work in progress "

- 31 In this Schedule " work in progress " means—
- (a) any services performed in the ordinary course of the trade, the performance of which was partly completed at the material time and for which it would be reasonable to expect that a charge will subsequently be made ; and
 - (b) any article produced, and any such material as is used, in the performance of any such services.

Other definitions

- 32 For the purposes of this Schedule a person is within the charge to income tax or corporation tax in respect of a trade if the profits or gains arising from it are (or if there were any would be) chargeable to that tax, and references to a trade being within the charge to tax shall be similarly construed.
- 33 Any reference in this Schedule to a period ending in another period includes a reference to a period ending on the same day as the other period.