

*These notes refer to the Income Tax (Trading and Other Income)
Act 2005 (c.5) which received Royal Assent on 24 March 2005*

INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 2: Trading income

Chapter 8: Trade profits: Herd basis rules

Section 119: Sale of whole or substantial part of herd

487. This is the first of three sections that set out the rules relating to the sale of all or a substantial part the herd within 12 months. It is based on paragraph 3(8) of Schedule 5 to ICTA.
488. The section merges the rules in paragraph 3(7) to (9) of Schedule 5 to ICTA. See *Change 33* in Annex 1. An explanation of what is meant by “substantial part of the herd” is given in section 113(6).
489. *Subsection (2)* sets out the general rule. If the herd, or a substantial part of the herd, is sold within a year no profit is taxed as a trade receipt and no loss is allowed as a trade deduction. This overrides the rule in section 118(2) and (3) (sale of animals from herd).