

SCHEDULES

SCHEDULE 13

TRANSFER SCHEMES: TAX PROVISIONS

PART 6

TRANSFERS ETC INVOLVING PRIVATE PERSONS

Transfers of trading stock

- 34 (1) This paragraph applies if under a relevant transfer trading stock of the transferor is transferred to the transferee.
- (2) Sub-paragraphs (3) and (4) have effect in computing for any corporation tax or income tax purpose both the profits of the trade in relation to which the stock is trading stock immediately before the transfer takes effect (“the transferor’s trade”) and—
- (a) if the stock falls immediately after the transfer takes effect to be treated as trading stock of the transferee, the profits of the trade in relation to which it falls to be treated as trading stock (“the transferee’s trade”);
- (b) otherwise, the consideration given by the transferee, or the expenditure incurred by the transferee, for the acquisition of the stock.
- (3) The stock must be taken to have been—
- (a) disposed of by the transferor in the course of the transferor’s trade,
- (b) if sub-paragraph (2)(a) applies, acquired by the transferee in the course of the transferee’s trade, and
- (c) subject to that, disposed of and acquired when the transfer takes effect.
- (4) The value of the stock is to be taken to be—
- (a) if consideration is given to the transferor in respect of the transfer, an amount equal to the value of the consideration, or
- (b) if no such consideration is given, nil.
- (5) For the purposes of this paragraph consideration given to a person connected with the transferor is to be treated as given to the transferor.
- (6) In this paragraph “trading stock” has the same meaning as in section 100 of ICTA (as respects corporation tax) or section 174 of ITTOIA 2005 (as respects income tax).
- (7) For the purposes of this paragraph whether a person is connected with another person is determined in accordance with section 839 of ICTA (as respects corporation tax) or section 993 of ITA 2007 (as respects income tax).