SCHEDULES

SCHEDULE 15

CHANGES IN TRADING STOCK

PART 2

CORPORATION TAX

Introduction

5 (1) This Part applies for the purposes of corporation tax.

(2) In this Part "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.

(3) 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

6 (1) This paragraph 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—

(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.

7 (1) This paragraph 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

8 (1) This paragraph applies if—
(a) trading stock of a trade is disposed of otherwise than in the course of a trade, and
(b) paragraph 6 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 paragraph is subject to paragraph 10.

9 (1) This paragraph applies if—
(a) trading stock of a trade has been acquired otherwise than in the course of trade, and
(b) paragraph 7 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
(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 paragraph is subject to paragraph 10.

Relationship with transfer pricing rules

10 (1) Paragraph 8 or 9 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 sub-paragraph (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 paragraph "relevant consideration" means—
(a) in relation to paragraph 8, the consideration for the disposal of the stock, and

(b) in relation to paragraph 9, the consideration for the acquisition of the trading stock.