



Corporation Tax Act 2009

2009 CHAPTER 4

PART 3

TRADING INCOME

CHAPTER 11

TRADE PROFITS: VALUATION OF STOCK ON CESSATION OF TRADE

162 Valuation of trading stock on cessation

- (1) If a company permanently ceases to carry on a trade, in calculating the profits of the trade—
 - (a) trading stock belonging to the trade at the time of the cessation must be valued, and
 - (b) the value must be determined in accordance with sections 164 to 167 (bases of valuation).
- (2) But no valuation of the stock is required under this Chapter if [^{F1}section 147(3) or (5) of TIOPA 2010] (provision not at arm's length) has effect in relation to any provision which—
 - (a) is made or imposed in relation to the stock, and
 - (b) has effect in connection with the cessation.

[^{F2}(2A) Subsection (2B) applies if—

- (a) by virtue of subsection (2), no valuation of the stock under this Chapter is required, and
 - (b) the market value of the stock is greater than the Part 4 TIOPA amount.
- (2B) An amount equal to the market value of the stock less the Part 4 TIOPA amount is to be brought into account in calculating the profits of the trade (in addition to the Part 4 TIOPA amount).

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(2C) In subsections (2A) and (2B)—

“market value”, in relation to stock, is the value the stock would have been determined to have if it had been valued in accordance with sections 164 to 167, and

“Part 4 TIOPA amount” is the amount which, following the application of Part 4 of TIOPA 2010 in relation to the provision referred to in subsection (2), is brought into account in respect of that provision in calculating the profits of the trade.]

- (3) If there is a partnership change, no valuation of the stock is required under this Chapter so long as a company carrying on the trade in partnership immediately before the change continues to carry it on in partnership after the change.
- (4) The reference in subsection (3) to a partnership change is to a change in the persons carrying on the trade in circumstances where the trade is carried on by persons in partnership immediately before or immediately after the change (or at both those times).

Textual Amendments

- F1** Words in s. 162(2) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 125](#) (with [Sch. 9 paras. 1-9, 22](#))
- F2** S. 162(2A)-(2C) inserted (with application in accordance with s. 41(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 41\(1\)](#)

163 Meaning of “trading stock”

- (1) In this Chapter “trading stock” means—
- (a) any property (whether land or other property) which is sold in the ordinary course of the trade or would be so sold if it were mature or its manufacture, preparation or construction were complete, or
 - (b) materials used in the manufacture, preparation or construction of any property mentioned in paragraph (a).
- (2) In this Chapter “trading stock” includes also any services performed in the ordinary course of the trade—
- (a) the performance of which is wholly or partly completed at the time of the cessation, and
 - (b) for which it would be reasonable to expect that a charge would be made if there were no cessation and, in the case of partly completed services, their performance were fully completed,
- and any article produced, and any material used, in the performance of any such services.
- (3) In this Chapter references to the sale or transfer of trading stock include the sale or transfer of any benefits and rights which accrue, or might reasonably be expected to accrue, from the performance of any such services.

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164 Basis of valuation of trading stock

- (1) The value of trading stock belonging to the trade at the time of the cessation is determined as follows.
- (2) If the stock is sold to a person who—
 - (a) carries on, or intends to carry on, a trade, profession or vocation in the United Kingdom, and
 - (b) is entitled to deduct the cost of the stock as an expense in calculating the profits of that trade, profession or vocation for corporation or income tax purposes, the value is determined in accordance with section 165 (sale to unconnected person), 166 (sale to connected person) or 167 (election by connected persons).
- (3) But if section 125 (preventing abuse of the herd basis rules) applies—
 - (a) the value is not determined in accordance with any of those sections, and
 - (b) the value is instead taken to be that given by section 125 (the price which the animals transferred would have fetched if sold in the open market at the time of the sale).
- (4) In any other case, the value is taken to be the amount which the stock would have realised if sold in the open market at the time of the cessation.

165 Sale basis of valuation: sale to unconnected person

- (1) The value of trading stock is determined in accordance with this section if—
 - (a) it is sold to a person who carries on, or intends to carry on, a trade, profession or vocation in the United Kingdom and is entitled to deduct the cost of the stock as an expense in calculating the profits of that trade, profession or vocation for corporation or income tax purposes, and
 - (b) the buyer is not connected with the seller.
- (2) The value is taken to be the amount in fact realised on the sale.
- (3) If the stock is sold together with other assets, so much of the amount realised on the sale as, on a just and reasonable apportionment, is properly attributable to each asset is treated as the amount realised on the sale of that asset.

166 Sale basis of valuation: sale to connected person

- (1) The value of trading stock is determined in accordance with this section if—
 - (a) it is sold to a person who carries on, or intends to carry on, a trade, profession or vocation in the United Kingdom and is entitled to deduct the cost of the stock as an expense in calculating the profits of that trade, profession or vocation for corporation or income tax purposes,
 - (b) the buyer is connected with the seller, and
 - (c) no election is made under section 167 (election by connected persons).
- (2) The value is taken to be the amount which would have been realised if the sale had been between independent persons dealing at arm's length.

167 Sale basis of valuation: election by connected persons

- (1) The value of trading stock is determined in accordance with this section if—

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- (a) it is sold to a person who carries on, or intends to carry on, a trade, profession or vocation in the United Kingdom and is entitled to deduct the cost of the stock as an expense in calculating the profits of that trade, profession or vocation for corporation or income tax purposes,
 - (b) the buyer is connected with the seller, and
 - (c) an election is made under this section.
- (2) The parties to the sale may make an election under this section if the value of the stock determined under section 166 exceeds both—
- (a) its acquisition value, and
 - (b) the amount in fact realised on the sale.
- (3) If an election is made, the value is taken to be—
- (a) its acquisition value, or
 - (b) if greater, the amount in fact realised on the sale.
- (4) An election under this section must be made by both parties not later than two years after the end of the accounting period in which the cessation occurred.
- (5) The “acquisition value” of trading stock means the amount which would have been deductible as representing its acquisition value, in calculating the profits of the trade, on the following assumptions—
- (a) that the stock had been sold in the course of the trade, immediately before the cessation, for a price equal to the value of the stock determined under section 166, and
 - (b) that the period for which those profits were to be calculated began immediately before the sale.
- (6) If the stock is sold together with other assets, so much of the amount realised on the sale as, on a just and reasonable apportionment, is properly attributable to each asset is treated as the amount realised on the sale of that asset.

168 Connected persons

For the purposes of sections 164 to 167 two persons are connected with each other if any of the following tests is met—

- (a) they are connected with each other within the meaning of [F3 section 1122 of CTA 2010],
- (b) one of them is a firm and the other has a right to a share of the assets or income of the firm,
- (c) one of them is a body corporate and the other has control over that body,
- (d) both of them are firms and some other person has a right to a share of the assets or income of both of them, or
- (e) both of them are bodies corporate, or one of them is a firm and the other is a body corporate, and in either case some other person has control over both of them.

Textual Amendments

- F3** Words in s. 168 substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), [Sch. 1 para. 599](#) (with [Sch. 2](#))

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169 Cost to buyer of stock valued on sale basis of valuation

- (1) This section applies for the purpose of calculating the profits of the trade carried on by the buyer of trading stock.
- (2) If the value of the stock is determined in accordance with—
 - (a) section 164(3) or sections 165 to 167 (sale basis of valuation), or
 - (b) section 175(3) or sections 176 to 178 of ITTOIA 2005 (corresponding income tax rules),the cost of the stock to the buyer is taken to be the value as so determined.

170 Meaning of “sale” and related expressions

- (1) In sections 164 to 167 (except in section 167(5)) references to a sale include a transfer for valuable consideration.
- (2) In relation to a transfer which is not a sale—
 - “amount realised on the sale” means the value of the consideration given for the transfer,
 - “buyer” means the person to whom the transfer is made, and
 - “seller” means the person who makes the transfer.

171 Determination of questions

Any question arising under section 164(3) or sections 165 to 167 (sale basis of valuation of trading stock) must be determined in the same way as an appeal.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)