



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

[^{F1}CHAPTER 16ZA

COMPENSATION FOR COMPULSORY SLAUGHTER OF ANIMALS

Textual Amendments

F1 Pt. 2 Ch. 16ZA inserted (1.3.2012) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, 6 (with art. 9)

225ZA Application of Chapter 16ZA

- (1) This Chapter applies if—
 - (a) an animal treated as trading stock of a farming trade is slaughtered under a disease control order,
 - (b) the animal is not part of a production herd of a class in respect of which a herd basis election may be made under section 126, and
 - (c) the farmer receives or will receive compensation for the animal.
- (2) Such an animal is referred to in this Chapter as a “relevant animal”.
- (3) “Disease control order” has the same meaning as in section 126.

[^{F2}225ZAA Chapter not to apply where cash basis used

Nothing in this Chapter applies in calculating the profits of a trade on the cash basis.]

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax (Trading and Other Income) Act 2005. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

- F2** S. 225ZAA inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 4 para. 33**

225ZB Right to make claim

- (1) The farmer may make a claim under this section.
- (2) A claim may only be made in respect of the total compensation profit for a period of account.
- (3) The total compensation profit for a period of account is the sum of the profits which the farmer makes for all the relevant animals slaughtered in that period.
- (4) For the purposes of this Chapter the profit which the farmer makes for a relevant animal is—
 - (a) the amount by which the compensation for the animal exceeds its book value, or
 - (b) if the trade is carried on in partnership, the farmer's share of that amount, determined in accordance with Part 9.
- (5) Nothing in this section prevents a claim being made before the amount of the compensation has been finally determined.

225ZC Book value

- (1) For the purposes of this Chapter the book value of an animal is the value shown in the accounts as the value of the animal at the start of the period of account in which it was slaughtered.
- (2) If, for an animal, no value is shown in the accounts as that value, the book value is as follows—
 - (a) in the case of an animal which was born in the period of account in which it was slaughtered and did not become part of the trading stock in any other way, the book value is 75% of the compensation payable for it,
 - (b) in the case of an animal in relation to which section 172C (trading stock supplied by trader) or 172E (acquisitions not made in the course of trade) applies, the book value is the cost treated as incurred under section 172C(2) or 172E(2) as the case may be, and
 - (c) in any other case, the book value is the cost of acquiring the animal for the purposes of the trade.

225ZD Effect of claim for spreading profits

- (1) If the farmer makes a claim under section 225ZB in respect of the total compensation profit for a period of account ("period X"), the profits of the trade carried on by the farmer are to be adjusted for income tax purposes as follows—

Step 1

Treat the compensation payable for all of the relevant animals slaughtered in period X as a receipt of that period (regardless of when the compensation is finally determined or paid).

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Step 2

If the farmer makes a profit in the trade in Year 1, deduct from the profits of Year 1 an amount equal to—

- (a) the total compensation profit for period X, or
 - (b) if the total compensation profit exceeds the profits of Year 1, such portion of the total compensation profit as will reduce the profits to nil.
- “Year 1” is—
- (a) the tax year whose basis period includes the whole or a part of period X, or
 - (b) if there is more than one, the earliest of those tax years.

Step 3

If—

- (a) there is more than one tax year whose basis period includes the whole or a part of period X,
- (b) either—
 - (i) the farmer did not make a profit in the trade in Year 1, or
 - (ii) by virtue of step 2, a portion only of the total compensation profit for period X is deducted from the profits of Year 1, and
- (c) the farmer makes a profit in the trade in the next tax year (“Year 2”), deduct from the profits of Year 2 the applicable amount.

In a case where the farmer did not make a profit in Year 1, “the applicable amount” is—

- (a) the total compensation profit for period X, or
- (b) if the total compensation profit exceeds the profits of Year 2, such portion of the total compensation profit as will reduce the profits to nil.

In a case where a portion only of the total compensation profit for period X is deducted from the profits of Year 1, “the applicable amount” is—

- (a) an amount equal to the difference between the total compensation profit for period X and the portion so deducted, or
- (b) if that amount exceeds the profits of Year 2, such portion of that amount as will reduce the profits to nil.

No further deduction is to be made in respect of the total compensation profit for period X from the profits of any later tax year whose basis period includes a part of that period.

Step 4

Include in the profits of each of the 3 consecutive tax years following Year 1 an amount equal to one third of the total amount deducted by virtue of steps 2 and 3.

- (2) Nothing in this section affects the calculation of overlap profit (within the meaning of Chapter 15 of this Part).

225ZE Adjustment: cessation of trading

If the farmer permanently ceases to carry on the farming trade before the end of the second of the 3 consecutive tax years following Year 1, step 4 in section 225ZD(1) is to be replaced by the following two steps—

Step 4

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Divide the total amount deducted by virtue of steps 2 and 3 by the number of tax years (“the remaining tax years”) in which, or in any part of which, the farmer carried on the farming trade, starting with Year 1.

Step 5

Include in the profits of each of the remaining tax years the amount resulting from the division in step 4.

225ZF Time limits etc for spreading claim

- (1) A claim under section 225ZB must be made on or before the first anniversary of the normal self-assessment filing date for Year 1.
- (2) If the profits of a tax year are to be adjusted or further adjusted in accordance with this Chapter after an assessment for that tax year has become final and conclusive, any assessment or repayment or discharge of tax that is necessary to give effect to this Chapter must be made.
- (3) But repayment or discharge of tax is due only if a claim for it is made.

225ZG Interpretation

In this Chapter—

- “animal” means any animal or other living creature;
- “farming trade” means a trade of farming;
- “the farmer”, in relation to a farming trade, means the individual who (alone or in partnership) carries on that trade;
- “total compensation profit” has the meaning given by section 225ZB.]

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

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

- s. 7A-7D inserted by [2022 c. 3 Sch. 1 para. 3](#)
- s. 31E(4) inserted by [2022 c. 3 Sch. 1 para. 7\(3\)](#)
- s. 649(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 11\(2\)](#)
- s. 679(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(5\)\(b\)](#)
- s. 679A(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(6\)\(b\)](#)
- s. 680(1A) inserted by [2023 c. 30 Sch. 2 para. 11\(7\)\(a\)](#)