



Income Tax Act 2007

2007 CHAPTER 3

PART 6

VENTURE CAPITAL TRUSTS

CHAPTER 4

QUALIFYING HOLDINGS

Excluded activities

304 Excluded activities: wholesale and retail distribution

- (1) This section supplements section 303(1)(b).
- (2) In this section—
 - (a) subsections (3) and (4) are for determining whether a trade is a trade of wholesale or retail distribution, and
 - (b) subsections (5) and (6) are for determining whether a trade of wholesale or retail distribution is an ordinary trade of wholesale or retail distribution.
- (3) A trade of wholesale distribution is one in which goods are offered for sale and sold to persons for resale by them, or for processing and resale by them, to members of the general public for their use or consumption.
- (4) A trade of retail distribution is one in which goods are offered or exposed for sale and sold to members of the general public for their use or consumption.
- (5) A trade of wholesale or retail distribution is not an ordinary trade of wholesale or retail distribution if—
 - (a) it consists to a substantial extent—
 - (i) in dealing in goods of a kind which are collected or held as an investment, or

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for the Income Tax Act 2007, Section 304. (See end of Document for details)*

- (ii) in that activity and any other excluded activity taken together, and
 - (b) a substantial proportion of those goods are held for a period which is significantly longer than the period for which the trader would reasonably be expected to hold them while trying to dispose of them at their market value.
- (6) In determining whether a trade of wholesale or retail distribution is an ordinary trade of wholesale or retail distribution regard is to be had to the extent to which it has the following features—
 - (a) the goods are bought by the trader in quantities larger than those in which the trader sells them,
 - (b) the goods are bought and sold by the trader in different markets,
 - (c) the trader employs staff and incurs expenses in the trade in addition to the cost of the goods and, in the case of a trade carried on by a company, in addition to any remuneration paid to any person connected with it,
 - (d) there are purchases or sales from or to persons who are connected with the trader,
 - (e) purchases are matched with forward sales or vice versa,
 - (f) the goods are held by the trader for longer than is normal for goods of the kind in question,
 - (g) the trade is carried on otherwise than at a place or places commonly used for wholesale or retail trade, and
 - (h) the trader does not take physical possession of the goods.
- (7) In subsection (6)—
 - (a) the features in paragraphs (a) to (c) are regarded as indications that the trade is an ordinary trade of wholesale or retail distribution, and
 - (b) those in paragraphs (d) to (h) are regarded as indications to the contrary.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax Act 2007, Section 304.