



Corporation Tax Act 2009

2009 CHAPTER 4

PART 3

TRADING INCOME

CHAPTER 10

TRADE PROFITS: CHANGES IN TRADING STOCK

Introduction

156 Meaning of “trading stock”

- (1) In this Chapter “trading stock”, in relation to a trade, means anything (whether land or other property)—
- (a) which is sold in the ordinary course of the trade, or
 - (b) which would be so sold if it were mature or its manufacture, preparation or construction were complete.
- (2) 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.

Status: This is the original version (as it was originally enacted).

Transfers of trading stock between trade and trader

157 Trading stock appropriated by trader

- (1) This section applies if trading stock of a company's trade is appropriated by the company 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.

158 Trading stock supplied by trader

- (1) This section applies if something that—
 - (a) belongs to a company 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 and acquisitions not made in the course of trade

159 Disposals not made in the course of trade

- (1) This section applies if—
 - (a) trading stock of a trade is disposed of otherwise than in the course of the trade, and
 - (b) section 157 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 a 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 section is subject to section 161.

160 Acquisitions not made in the course of trade

- (1) This section applies if—
 - (a) trading stock of a trade has been acquired otherwise than in the course of the trade, and

- (b) section 158 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 section is subject to section 161.

Relationship with transfer pricing rules

161 Transfer pricing rules to take precedence

- (1) Section 159 or 160 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 subsection (1)(b), the relevant consideration falls within Schedule 28AA to ICTA without falling to be adjusted under that Schedule if the conditions in paragraph 1(1) of that Schedule are met, but either—
 - (a) the actual provision does not differ from the arm's length provision, or
 - (b) one of the exceptions mentioned in subsection (3) applies.
- (3) The exceptions are those in—
 - (a) section 447(5) (exchange gains or losses from loan relationships)
 - (b) section 694(8) (exchange gains or losses from derivative contracts),
 - (c) paragraph 10 of Schedule 28AA to ICTA (transactions and deemed transactions involving oil), and
 - (d) paragraph 13 of Schedule 28AA to ICTA (saving for provisions relating to capital allowances and capital gains).
- (4) In this section “relevant consideration” means—
 - (a) in relation to section 159, the consideration for the disposal of the trading stock, and
 - (b) in relation to section 160, the consideration for the acquisition of the trading stock.