
STATUTORY INSTRUMENTS

2012 No. 266

The Enactment of Extra-Statutory Concessions Order 2012

Compensation for the compulsory slaughter of animals: corporation tax

10. In the Corporation Tax Act 2009(1), after section 127 insert—

“CHAPTER 8A

COMPENSATION FOR COMPULSORY SLAUGHTER OF ANIMALS

127A Application of Chapter 8A

- (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 124, and
 - (c) the farm company 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 124.

127B Right to make claim

- (1) The farm company may make a claim under this section.
- (2) A claim may only be made in respect of the total compensation profit for an accounting period.
- (3) The total compensation profit for an accounting period is the sum of the profits which the farm company makes for all the relevant animals slaughtered in that period.
- (4) For the purposes of this Chapter the profit which the farm company 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 farm company’s share of that amount, determined in accordance with Part 17.
- (5) Nothing in this section prevents a claim being made before the amount of the compensation has been finally determined.

127C 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 accounting period 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 accounting period 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 158 (trading stock supplied by trader) or 160 (acquisitions not made in the course of trade) applies, the book value is the cost treated as incurred under section 158(2) or 160(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.

127D Effect of claim for spreading of profits

127D If the farm company makes a claim under section 127B in respect of the total compensation profit for an accounting period (“period X”), the profits of the trade carried on by the farm company are to be adjusted for corporation 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).

Step 2

If the farm company makes a profit in the trade in period X, deduct from the profits of that period an amount equal to—

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

Step 3

In calculating the profits for each of the 3 consecutive accounting periods following period X, include an amount equal to one third of the amount deducted by virtue of step 2.

127E Adjustment: cessation of trading

127E If the farm company permanently ceases to carry on the farming trade before the end of the second consecutive accounting period following period X, step 3 in section 127D is to be replaced by the following two steps—

Step 3

Divide the amount deducted by virtue of step 2 by the number of accounting periods (“the remaining accounting periods”) in which, or in any part of which, the farm company carried on the farming trade, starting with period X.

Step 4

In calculating the profits for each of the remaining accounting periods, include the amount resulting from the division in step 3.

127F Time limits etc for spreading claim

(1) A claim under section 127B must be made on or before the first anniversary of the filing date for the company tax return of the farm company for period X (see paragraph 14 of Schedule 18 to FA 1998).

(2) If the profits for an accounting period are to be adjusted or further adjusted in accordance with this Chapter after an assessment for that period 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.

127G Interpretation

127G In this Chapter—

“animal” means any animal or other living creature;

“farming trade” means a trade of farming;

“the farm company”, in relation to a farming trade, means the company that (alone or in partnership) carries on that trade;

“the total compensation profit” has the meaning given by section 127B.”