

CHAPTER 6 Transfer of business assets

Appropriations to and from stock in trade. CGTA75 s51(1) and Sch1 par15; FA90 s86 596.—(1) Where an asset acquired by a person otherwise than as trading stock of a trade carried on by the person is appropriated by that person for the purposes of the trade as trading stock (whether on the commencement of the trade or otherwise) and, if that person had then sold the asset for its market value, a chargeable gain or allowable loss would have accrued to that person, that person shall be treated for the purposes of the Capital Gains Tax Acts as having by such appropriation disposed of the asset by selling it for its then market value.

(2) Where at any time an asset forming part of the trading stock of a person's trade is appropriated by the person for any other purpose or is retained by the person on that person ceasing to carry on the trade, that person shall be treated for the purposes of the Capital Gains Tax Acts as having acquired the asset at that time for a consideration equal to the amount brought into the accounts of the trade in respect of the asset for the purposes of income tax on the appropriation or on that person ceasing to carry on the trade, as the case may be.

(3) Subsection (1) shall not apply in relation to a person's appropriation of an asset for the purposes of a trade if the person is chargeable to income tax in respect of the profits of the trade under Case I of Schedule D, and instead elects that the market value of the asset at the time of the appropriation shall, in computing the profits of the trade for the purposes of income tax, be treated as reduced by the amount of the chargeable gain or increased by the amount of the allowable loss referred to in that subsection and, where that subsection does not apply by reason of such an election, the profits of the trade shall be computed accordingly; but—

(a) if a person making an election under this subsection is at the time of the appropriation carrying on the trade in partnership with others, the election shall not have effect unless concurred in by the others, and

(b) an election under this subsection shall not be made in any case where the application of subsection (1) would give rise to an allowable loss.