

CHAPTER 7 Special measures on discontinuance of, and change of basis of computation of profits or gains of, a trade or profession

Valuation of trading stock at discontinuance of trade. ITA67 s62(1) (apart from proviso) and (2); FA70 s23(4) 89.—(1) (a) In this section, “trading stock” means, subject to paragraph (b), property of any description, whether real or personal, which is either—

(i) property such as is sold in the ordinary course of the trade in relation to which the expression is used or would be so sold if it were mature or if its manufacture, preparation or construction were complete, or

(ii) materials such as are used in the manufacture, preparation or construction of property such as is sold in the ordinary course of that trade.

(b) For the purposes of this section, “trading stock”, in relation to a trade, includes any services, article or material which, if the trade were a profession, would be treated as work in progress of the profession for the purposes of section 90, and references to the sale or transfer of trading stock shall be construed accordingly.

(c) References in this section to a trade having been discontinued or to the discontinuance of a trade shall be construed as not referring to or including any case where such trade was carried on by a single individual and is discontinued by reason of such individual's death (whether such trade is or is not continued by another person after such death), but shall be construed as referring to and including every other case where a trade has been discontinued or is, by virtue of any of the provisions of the Tax Acts, treated as having been discontinued for the purpose of computing tax.

(2) In computing the profits or gains of a trade which has been discontinued, any trading stock belonging to the trade at the discontinuance of the trade shall be valued in accordance with the following provisions:

(a) in the case of any such trading stock—

(i) which is sold, or is transferred for valuable consideration, to a person who carries on or intends to carry on a trade in the State, and

(ii) the cost of which to such person on such sale or transfer may be deducted by such person as an expense in computing for any purpose of the Tax Acts the profits or gains of the trade carried on or intended to be carried on by such person,

the value of such trading stock shall be taken to be the price paid for such trading stock on such sale or the value of the consideration given for such trading stock on such transfer, as the case may be;

(b) in the case of any other such trading stock, the value of such other trading stock shall be taken to

be the amount which it would have realised if it had been sold in the open market at the discontinuance of the trade.