

Deduction for increase in stock values. FA96 s134; FA97 s18 666.—(1) Subject to this Chapter, where—

(a) a person carries on in an accounting period the trade of farming in respect of which the person is within the charge to tax under Case I of Schedule D, and

(b) the value of the person's trading stock of that trade at the end of the accounting period (in this Chapter referred to as its "closing stock value") exceeds the value of the trading stock of that trade at the beginning of the accounting period (in this Chapter referred to as its "opening stock value"),

the person shall, in the computation for the purposes of tax of the trading income of that trade, be entitled to a deduction under this section equal to 25 per cent of the amount of that excess as if the deduction were a trading expense incurred in the accounting period, and the amount of that excess is referred to in this Chapter as the person's "increase in stock value".

(2) In the case of a company—

(a) the amount of the deduction under this section in an accounting period shall not exceed the amount of the company's trading income for that period after all reductions of income for that period by virtue of sections 396 and 397 and after all deductions and additions for that period by virtue of sections 307 and 308 and before any deduction allowed by virtue of this section, and

(b) where a deduction allowed by virtue of this section in computing the company's income from the trade of farming for an accounting period applies for an accounting period (in this subsection referred to as "the relevant period"), the company shall not be entitled to—

(i) a deduction under section 307 or 308 for any accounting period later than the relevant period in respect of any allowance treated as a trading loss of the trade before the commencement of the relevant period,

(ii) a set-off of a loss under section 396 for any accounting period later than the relevant period in respect of a loss sustained in the trade before the commencement of the relevant period, or

(iii) a set-off of a loss under section 397 for any accounting period earlier than the relevant period in respect of a loss sustained in the trade.

(3) In the case of a person other than a company, where a deduction allowed by virtue of this section in computing the person's trading profits of the trade of farming for an accounting period applies for a year of assessment (in this subsection referred to as "the relevant year")—

(a) the person shall not be entitled to relief—

(i) under section 382 for any year of assessment later than the relevant year in respect of a loss sustained in the trade before the commencement of the relevant year, or

(ii) under section 385 for any year of assessment earlier than the relevant year in respect of a loss sustained in the trade,

(b) section 304 (4) or that section as applied by any other provision of the Income Tax Acts shall not apply as respects a capital allowance or part of a capital allowance which is or is deemed to be all or part of a capital allowance for the relevant year and to which full effect has not been given in that year because there were no profits or gains chargeable for that year or there was an insufficiency of profits or gains chargeable for that year,

(c) section 392 shall not apply to the capital allowances or any part of such allowances for the relevant year, and

(d) the amount of any deduction given under this section shall not exceed the amount of the person's trading income from the trade of farming for the relevant year before any deduction allowed by virtue of this section.

(4) (a) A deduction shall not be allowed under this section in computing a company's trading income for any accounting period which ends on or after the 6th day of April, 1999.

(b) Any deduction allowed by virtue of this section in computing the profits or gains of the trade of farming for an accounting period of a person other than a company shall not apply for any purpose of the Income Tax Acts for any year of assessment later than the year 1998-99.

(5) A person shall not be entitled to a deduction under this section for any chargeable period unless a written claim for such a deduction is made on or before the specified return date for that chargeable period.

(6) This section shall apply to a trade of farming carried on by a partnership as it applies to a trade of farming carried on by a person.