

Supplementary provisions (Chapter 2). FA96 s137 669.— (1) (a) Where a person has acquired or disposed of trading stock otherwise than in the normal conduct of the trade of farming, the person shall be treated for the purposes of this Chapter as having, at the beginning or end of the relevant period of account, trading stock of such value as appears to the inspector (or on appeal to the Appeal Commissioners) to be just and reasonable having regard to all the circumstances of the case.

(b) Where the value of a person's trading stock at the beginning of a period of account is not calculated on the basis used for the calculation of the value of the trading stock at the end of that period, the value of the trading stock at the beginning of that period shall for the purposes of this Chapter be treated as being what it would have been if it had been calculated on that basis.

(2) (a) In any case where a person's accounting period does not coincide with a period of account or with 2 or more consecutive periods of account, the person's increase in stock value in the accounting period shall be determined for the purposes of section 666 not in accordance with subsection (1) of that section but by reference to a period (in this section referred to as "the reference period") determined in accordance with this subsection.

(b) In any case where the beginning of a person's accounting period does not coincide with the beginning of a period of account, the reference period shall begin at the beginning of the period of account which is current at the beginning of the person's accounting period.

(c) In any case where the end of the person's accounting period does not coincide with the end of a period of account, the reference period shall end at the end of the period of account which is current at the end of the person's accounting period.

(d) In any case where paragraph (b) does not apply, the reference period shall begin at the beginning of the person's accounting period and, in any case where paragraph (c) does not apply, the reference period shall end at the end of the person's accounting period.

(3) (a) In any case where subsection (2)(a) applies, a person's increase in stock value in the accounting period shall be determined for the purposes of section 666 by the formula—

$$A \times (C - O) \div N$$

where—

A is the number of months in the person's accounting period,

C is the value of the person's trading stock at the end of the reference period,

O is the value of the person's trading stock at the beginning of the reference period, and

N is the number of months in the reference period.

(b) In any case where a person's increase in stock value in an accounting period is to be determined in accordance with paragraph (a), then, in section 666 and in subsections (4) to (6), any reference to the person's closing stock value shall be construed as a reference to the value of the person's trading stock at the end of the reference period.

(4) (a) A person shall not be entitled to a deduction under section 666 for an accounting period if that accounting period ends by virtue of the person ceasing to—

(i) carry on the trade of farming,

(ii) be resident in the State, or

(iii) be within the charge to tax under Case I of Schedule D in respect of that trade.

(b) In any case where a person's increase in stock value in an accounting period is to be determined in accordance with subsection (3)(a), paragraph (a) shall apply as if the reference in that paragraph to the person's accounting period were a reference to any of the accounting periods comprised in the person's reference period.

(5) (a) Subject to paragraphs (b) to (d), where a person claims a deduction under section 666 and, immediately before the beginning of an accounting period, the person was not carrying on the trade to which the claim relates, then, unless—

(i) the person acquired the initial trading stock of that trade on a sale or transfer from another person on that person's ceasing to carry on that trade, and

(ii) the stock so acquired is or is included in the person's trading stock as valued at the beginning of the accounting period,

the person shall be treated for the purposes of section 666 and subsections (1) to (4) as having at the beginning of the accounting period trading stock of such value as appears to the inspector to be just and reasonable.

(b) In determining for the purposes specified in paragraph (a) the value of trading stock to be attributed to a person at the beginning of the accounting period, the inspector shall have regard to all the relevant circumstances of the case and in particular to—

(i) movements during the person's accounting period in the costs of items of a kind comprised in the person's trading stock during that period, and

(ii) changes during that period in the volume of the trade in question carried on by the person.

(c) The Appeal Commissioners dealing with an appeal from the decision of an inspector on a claim in a case where in accordance with paragraph (a) the inspector has attributed to a person at the beginning of an accounting period trading stock of a particular value shall, in hearing and determining the appeal in so far

as it relates to the value of the trading stock to be so attributed, determine such value as appears to the Appeal Commissioners to be just and reasonable, having regard to those factors to which the inspector is required to have regard by virtue of paragraph (b).

(d) In any case where subsection (2)(a) applies to a person's accounting period, for any reference in paragraphs (a) to (c) to that accounting period there shall be substituted a reference to the reference period.

(6) In any case where a person's accounting period or reference period consists of a number of complete months and a fraction of a month, any reference in this section to the number of months in the period shall be construed as including that fraction of a month (and in any case where any such period is less than one month any such reference shall be construed as a reference to that fraction of a month of which the period consists).