



Corporation Tax Act 2009

2009 CHAPTER 4

PART 3

TRADING INCOME

CHAPTER 10

TRADE PROFITS: CHANGES IN TRADING STOCK

Introduction

156 Meaning of “trading stock”

- (1) In this Chapter “trading stock”, in relation to a trade, means anything (whether land or other property)—
 - (a) which is sold in the ordinary course of the trade, or
 - (b) which would be so sold if it were mature or its manufacture, preparation or construction were complete.
- (2) It does not include—
 - (a) materials used in the manufacture, preparation or construction of any such thing,
 - (b) any services performed in the ordinary course of the trade, or
 - (c) any article produced, or any material used, in the performance of any such services.

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Transfers of trading stock between trade and trader

157 Trading stock appropriated by trader

- (1) This section applies if trading stock of a company's trade is appropriated by the company for any other purpose.
- (2) In calculating the profits of the trade—
 - (a) the amount which the stock appropriated would have realised if sold in the open market at the time of the appropriation is brought into account as a receipt, and
 - (b) the value of anything in fact received for it is left out of account.
- (3) The receipt is treated as arising on the date of the appropriation.

158 Trading stock supplied by trader

- (1) This section applies if something that—
 - (a) belongs to a company carrying on a trade, but
 - (b) is not trading stock of the trade,becomes trading stock of the trade.
- (2) In calculating the profits of the trade—
 - (a) the cost of the stock is taken to be the amount which it would have realised if sold in the open market at the time it became trading stock of the trade, and
 - (b) the value of anything in fact given for it is left out of account.
- (3) The cost is treated as being incurred on the date it became trading stock of the trade.

Other disposals and acquisitions not made in the course of trade

159 Disposals not made in the course of trade

- (1) This section applies if—
 - (a) trading stock of a trade is disposed of otherwise than in the course of the trade, and
 - (b) section 157 does not apply.
- (2) In calculating the profits of the trade—
 - (a) the amount which the stock disposed of would have realised if sold in the open market at the time of the disposal is brought into account as a receipt, and
 - (b) any consideration obtained for it is left out of account.
- (3) The receipt is treated as arising on the date of the disposal.
- (4) This section is subject to section 161.

160 Acquisitions not made in the course of trade

- (1) This section applies if—
 - (a) trading stock of a trade has been acquired otherwise than in the course of the trade, and

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- (b) section 158 does not apply.
- (2) In calculating the profits of the trade—
 - (a) the cost of the stock is taken to be the amount which it would have realised if sold in the open market at the time of the acquisition, and
 - (b) the value of anything in fact given for it is left out of account.
- (3) The cost is treated as being incurred on the date of the acquisition.
- (4) This section is subject to section 161.

Relationship with transfer pricing rules

161 Transfer pricing rules to take precedence

- (1) Section 159 or 160 does not apply if the relevant consideration—
 - (a) falls to be adjusted for tax purposes under [^{F1}Part 4 of TIOPA 2010], or
 - (b) falls within [^{F2}that Part] without falling to be so adjusted.
- [^{F3}(1A) Subsection (1B) applies in relation to a disposal or acquisition if—
 - (a) by virtue of subsection (1), section 159 or 160 does not apply, and
 - (b) the market value amount is greater than the Part 4 TIOPA amount.
- (1B) An amount equal to the market value amount less the Part 4 TIOPA amount is to be brought into account in calculating the profits of the trade (in addition to the Part 4 TIOPA amount).
- (1C) In subsections (1A) and (1B)—
 - “market value amount” means the amount referred to in section 159(2)(a) or 160(2)(a);
 - “Part 4 TIOPA amount” means the amount which, following the application of Part 4 of TIOPA 2010 to the relevant consideration, is brought into account in respect of the relevant consideration in calculating the profits of the trade.]
- [^{F4}(2) For the purposes of subsection (1)(b), the relevant consideration falls within Part 4 of TIOPA 2010 without falling to be adjusted under that Part if—
 - (a) the condition in section 147(1)(a) of TIOPA 2010 is met, and
 - (b) the participation condition is met (see subsection (3A)), but
 - (c) either—
 - (i) one of the conditions in section 147(1)(c) and (d) of TIOPA 2010 is not met, or
 - (ii) one of the exceptions mentioned in subsection (3) applies.]
- (3) The exceptions are those in—
 - (a) section 447(5) (exchange gains or losses from loan relationships)
 - (b) section 694(8) (exchange gains or losses from derivative contracts),
 - [^{F5}(c) section 213 of TIOPA 2010 (saving for provisions relating to capital allowances), and
 - (d) section 214 of TIOPA 2010 (saving for provisions relating to chargeable gains).]

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[^{F6}(3A) Section 148 of TIOPA 2010 (when the participation condition is met) applies for the purposes of subsection (2)(b) as it applies for the purposes of section 147(1)(b) of TIOPA 2010.]

(4) In this section “relevant consideration” means—

- (a) in relation to section 159, the consideration for the disposal of the trading stock, and
- (b) in relation to section 160, the consideration for the acquisition of the trading stock.

Textual Amendments

- F1** Words in s. 161(1)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 124\(2\)](#) (with Sch. 9 paras. 1-9, 22)
- F2** Words in s. 161(1)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 124\(3\)](#) (with Sch. 9 paras. 1-9, 22)
- F3** S. 161(1A)-(1C) inserted (with application in accordance with s. 40(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 40\(1\)](#)
- F4** S. 161(2) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 124\(4\)](#) (with Sch. 9 paras. 1-9, 22)
- F5** S. 161(3)(c)(d) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 124\(5\)](#) (with Sch. 9 paras. 1-9, 22)
- F6** S. 161(3A) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 124\(6\)](#) (with Sch. 9 paras. 1-9, 22)

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)