

## **[23.2.7] Compulsory Disposals of Livestock**

### **1 Introduction**

Section 668 Taxes Consolidation Act 1997 provides special tax treatment in respect of profits on disposal of livestock due to statutory disease eradication measures.

### **2 Commencement and Time Limit for claims**

This special treatment applies to compulsory disposals of stock taking place **on or after 6 April 1993** under statutory disease eradication measures. Farmers wishing to avail of this special treatment must elect in writing to the local Inspector of Taxes.

In the case of a company, the election should be made on or before the return filing date for the accounting period in which the compulsory disposal takes place. In the case of an individual, the election should be made by the return filing date for the tax year in the basis period for which the compulsory disposal takes place - for example, where the compulsory disposal took place in the year ending 31 December 2007 the election should be made no later than 31 October 2008.

### **3 Spreading of Profit on Compulsory Disposals**

A farmer may exclude the profits arising from the compulsory disposal from the profits of the accounting period in which the disposal took place.

Where a farmer elects for the treatment under Section 668 the profits will be included in equal instalments

- (a) In each of the four accounting periods immediately after the period in which the profit arises. or
- (b) at the option of the farmer, in four equal tranches in the accounting period in which the disposal actually took place and in the three immediately following accounting periods .

#### 4 Re-Investment in Stock/Deemed Stock Relief

A person is deemed to be entitled to a stock relief deduction under **section 666** for each of the 4 accounting periods over which the excess profit is treated as arising, provided the person incurs or intends to incur expenditure on replacement stock, in an amount not less than the relevant compensation amount, before the end of the 4 year period. This deduction is in substitution for a stock relief deduction which the person might otherwise be entitled as a result of re-investing an amount of expenditure, equal to the relevant compensation amount, in replacement stock.

##### Permanent discontinuance of the trade

Where a permanent discontinuance of a farming trade arises, then a Case IV assessment is made in relation to any profits which but for the discontinuance, would have been treated by **subsection (3)** as arising in an accounting period or periods ending after the discontinuance. This assessment is to be made in the chargeable period in which the permanent discontinuance arises.

than the amount of the disposal proceeds.

#### **4.2 Rules Applying to Stock Relief Claims**

The same rules apply to a claim to 100% stock relief as apply to the usual 25% stock relief, namely a claim to stock relief prevents:

- the creation of a loss in the year of claim,
- a carry forward of losses sustained in a year prior to the year of claim to a subsequent year,
- a carry forward of unused capital allowances of a year prior to the year of claim to a subsequent year,
- a carry back of terminal loss relief to a year prior to the year of claim.

The enhanced relief is not subject to clawback.