

Taxation of stallion profits and gains - new regime

Part 07-03-05b

This document should be read in conjunction with Chapter 4 of Part 23 of the Taxes Consolidation Act 1997

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1. Introduction

Chapter 4 of Part 23 of the Taxes Consolidation Act 1997 contains the framework of the taxation arrangements for stallion stud fee income earned after the tax exemption ended on 31 July 2008. In broad outline the framework of the legislation is as follows:

Stallions are to be treated as stock in trade. This means income from stud fees and profits or gains from the sale of stallions are fully taxable. Corporate owners of stallions will be taxable at the corporation tax rate of 12.5%. Individual owners will be taxed at their [marginal income tax rate](#) dependant on the individual's circumstances.

2. Write-off of market value/cost of stallion

A full write-off over 4 years of the initial market value of the stallion is allowed for tax purposes. This includes stallions purchased for stud purposes as well as those transferred from racing. Even without this provision the cost of a stallion would be allowed as a deduction upon its disposal or death. Upon the disposal or death of a stallion the balance of any amounts not yet written-off will be immediately given with the full amount of any payments received on disposal being taxable.

This write-off arrangement will be available to both stallion owners actively involved in bloodstock breeding as well as syndicate members, although in the latter case, losses from this business will be ring-fenced so that they may only be carried forward against future stallion stud fee income.

Transitional arrangements provided for the valuation on 1 August 2008 of the existing stock of stallions at stud. The 4-year write-off is based on this valuation going forward for these stallions.

3. Tax paid under high earners' restriction

The high earners' restriction, introduced in the 2006 Finance Act, applied to stallion stud fee income for 2007 and the period up to 31 July 2008. Any additional income tax paid in respect of stallion stud fee income was available as a credit against future years' income tax. The corresponding deduction which would have otherwise been available under the high earners' restriction was denied in these circumstances. After 31 July 2008 stallion stud fee income is fully taxable.

4. Sections 669G to 669K

Chapter 4 of Part 23, in sections 669G to 669K, sets out the basis of charging profits and gains arising from the ownership of stallions, detailing the Cases involved, as well as specific deductions which are provided for in arriving at the amount

chargeable to tax. The mechanisms for giving credit against future income tax, as well as other miscellaneous matters are also addressed.