

Stock relief – farming trades

Part 23-02-02

This document should be read in conjunction with section 666 of the Taxes Consolidation Act 1997

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Table of Contents

1. Introduction	3
2. Qualifying period [section 666(4) TCA 1997]	3
3. The amount of relief [section 666(1) TCA 1997]	3
4. Meaning given to trading stock [section 665 TCA 1997]	3
5. Claim for relief [section 666(5) TCA 1997]	4
6. Interaction with certain capital allowances and loss relief provisions.....	4
6.1. Corporation Tax [section 666(2) TCA 1997]	4
6.2. Income Tax.....	5
7. Potential abuse of relief.....	5

1. Introduction

Section 666 of the Taxes Consolidation Act 1997 [‘TCA 1997’] makes provision for a tax deduction for increases in stock values, which is known as “stock relief”¹. Stock relief is available to any person carrying on the trade of farming, the profits from which are chargeable to tax under Case I of Schedule D. The person may be an individual or a company, carrying on the trade either solely or in partnership.

2. Qualifying period [section 666(4) TCA 1997]

The relief is available in the case of a company for accounting periods ending on or before 31 December 2024, and in the case of any other person for tax years up to and including 2024.

3. The amount of relief [section 666(1) TCA 1997]

The amount of stock relief is equal to 25% of the amount by which the value of farm trading stock at the end of an accounting period exceeds the value of farm trading stock at the beginning of the accounting period. The relief is given in the form of a deductible trading expense incurred in the same accounting period.

Example

Description	€
Opening stock at 1 January	20,000
Closing stock at 31 December	<u>25,000</u>
Increase in value of trading stock	5,000
Farming profits year ended 31 December	6,000
Less stock relief deduction (€5,000 x 25%)	<u>1,250</u>
Revised farming profits	4,750

4. Meaning given to trading stock [section 665 TCA 1997]

The term “trading stock” refers to items which are sold in the ordinary course of the farm trade such as livestock, crops and other farm produce, as well as direct inputs such as feedstuffs, fertilisers and seeds.

The value of a person’s trading stock must be reduced by the amount of any payments on account that have been received by the person in respect of the trading stock.

¹ Refer to [Tax and Duty Manual \(TDM\) Part 23-02-01](#) for details of stock relief available to young trained farmers, and [TDM Part 23-02-09](#) for details of stock relief available to participants in a Registered Farm Partnership.

The cost of items such as machinery, tools, or farm diesel are not treated as trading stock and are therefore not eligible for this relief.

Stock relief does not apply to stallions (section 669K(2) TCA 1997), notwithstanding they may be treated as trading stock and the owner may carry on a trade of farming.

5. Claim for relief [section 666(5) TCA 1997]

The relief must be claimed in writing on or before the return filing date for the period to which it relates.

Details of stock relief claimed by a company should be included in the Notes to the accounts in the Extracts from adjusted net profit/loss panel on the Corporation Tax Return (Form CT1).

Details of stock relief claimed by an individual should be included in the Adjustments made to Profit / Loss per Accounts panel on the Income Tax Return (Form 11).

6. Interaction with certain capital allowances and loss relief provisions

Where stock relief is claimed the following limitations are imposed by section 666 TCA 1997.

6.1. Corporation Tax [section 666(2) TCA 1997]

The amount of the deduction that a company will be entitled to in an accounting period may not exceed the profits of the farming trade in the accounting period, as reduced by trading losses and excess charges (section 396 TCA 1997) and terminal losses (section 397 TCA 1997) and after taking into account any capital allowances and balancing charges (sections 307 and 308 TCA 1997). In addition, the amount of the deduction may not exceed an amount which would create a loss in the accounting period.

Where a company is allowed a deduction for stock relief for an accounting period, the company will not be entitled to:

- carry forward to any subsequent accounting period any unused capital allowances that were carried forward to the accounting period in which the deduction is allowed;
- carry forward to any subsequent accounting period any unused losses that were carried forward to the accounting period in which the deduction is allowed;
- carry back a terminal loss to any accounting period prior to the accounting period in which the deduction is allowed.

6.2. Income Tax

The amount of the deduction that a person other than a company will be entitled to in an accounting period may not exceed an amount which would create a loss in the accounting period.

Where the person is allowed a deduction for stock relief for an accounting period, the person will not be entitled to:

- carry forward to any subsequent accounting period any unused capital allowances that were carried forward to the accounting period in which the deduction is allowed;
- carry forward to any subsequent accounting period any unused losses that were carried forward to the accounting period in which the deduction is allowed;
- carry back a terminal loss to any accounting period prior to the accounting period in which the deduction is allowed;
- for the accounting period in which the deduction is allowed, the individual may not elect to treat any capital allowances as creating or augmenting a loss under section 392 TCA 1997 for set off under section 381 TCA 1997.

7. Potential abuse of relief

Any contrived arrangements to create an entitlement to stock relief or to increase the amount of stock relief a person is entitled to will be treated as tax avoidance. This may include arrangements where a person artificially inflates the value of trading stock at the end of an accounting period by acquiring trading stock shortly before that date, without a genuine intention to use the stock in the farming trade, and disposing of that stock back to the same person shortly afterwards.

Information regarding tax avoidance is available on the [Revenue website](#).