

Compulsory Disposals of Livestock

Part 23-02-07

This document should be read in conjunction with section 668 of the Taxes Consolidation Act 1997

Document reviewed December 2023

Introduction

Section 668 of the Taxes Consolidation Act 1997 ('TCA 1997') provides special tax treatment in respect of profits on compulsory disposal of livestock due to statutory disease eradication measures. It allows for deferral of the profit from the disposal over four accounting periods and a special 100% stock relief during the deferral period.

1. Commencement and time limit for claims

This special treatment applies to compulsory disposals of stock under statutory disease eradication measures in place of the normal 25% stock relief. Farmers wishing to avail of this special treatment must elect in writing to Revenue.

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 2022 the election should be made no later than 31 October 2023.

2. 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 TCA 1997 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.

3. 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 deferred profits which would have been treated 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.

4. Re-investment in stock/deemed stock relief

A person is deemed to be entitled to a stock relief deduction under section 666 TCA 1997 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 to 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.

5. 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; and
- a carry back of terminal loss relief to a year prior to the year of claim.

The enhanced relief is not subject to clawback.