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Business Income Manual

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BIM20205 - Meaning of trade: badges of trade: summary

A summary of each ‘badge of trade’ is shown below with a brief pointer to its meaning.

Badge of trade	Guidance	Meaning
Profit-seeking motive	see BIM20210	An intention to make a profit supports trading, but by itself is not conclusive.
The number of transactions	see BIM20230	Systematic and repeated transactions will support ‘trade’.
The nature of the asset	see BIM20245	Is the asset of such a type or amount that it can only be turned to advantage by a sale? Or

Badge of trade	Guidance	Meaning
		did it yield an income or give ‘pride of possession’, for example, a picture for personal enjoyment?
Existence of similar trading transactions or interests	see BIM20270	Transactions that are similar to those of an existing trade may themselves be trading.
Changes to the asset	see BIM20275	Was the asset repaired, modified or improved to make it more easily saleable or saleable at a greater profit?
The way the sale was carried out	see BIM20280	Was the asset sold in a way that was typical of trading organisations? Alternatively, did it have to be sold to raise cash for an emergency?
The source of finance	see BIM20300	Was money borrowed to buy the asset? Could the funds only be repaid by selling the asset?
Interval of time between purchase and sale	see BIM20310	Assets that are the subject of trade will normally, but not always, be sold quickly. Therefore, an intention to resell an asset shortly after purchase will support trading. However, an asset, which is to be held indefinitely, is much less

Badge of trade	Guidance	Meaning
		likely to be a subject of trade.
Method of acquisition	see BIM20315	An asset that is acquired by inheritance, or as a gift, is less likely to be the subject of trade.

These ‘badges’ will not be present in every case and of those that are, some may point one way and some the other. The presence or absence of a particular badge is unlikely, by itself, to provide a conclusive answer to the question of whether or not there is a trade. The weight to be attached to each badge will depend on the precise circumstances.

The approach by the courts in using the badges of trade has been to decide questions of trade on the basis of the overall impression gained from a review of all the badges.

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